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FINANCIAL TIMES

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World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 7 1996

Italy plans to go ahead with \$16bn telecoms sell-off

Italy's centre-left government said it would go ahead with the 1.25-trillion (\$16.28bn) privatisation of telecoms...

European bonds hit by rumours: European bond markets were hit by rumours raising doubts over the timing of monetary union...

Calls for OECD budget cuts: The Organisation for Economic Co-operation and Development is facing pressure for sweeping reform and budget cuts...

Brussels warning over US sanctions: The European Commission warned that new US sanctions on Iran and Libya had serious implications for the security of energy supplies to the European Union...

KLM shares hit by poor quarter: KLM Royal Dutch Airlines blamed lower fares, a weak cargo market and higher costs as it reported first-quarter operating profits halved from \$1.6bn to \$1.0bn (\$80m)...

British extradition order overturned: The British High Court has rejected a government decision to extradite a businessman to Hong Kong to face \$4.5m (\$7.02m) bribery and corruption charges...

General Motors, the biggest US car manufacturer, announced plans to expand its successful Saturn car unit in the US by launching a midsize model...

Dole ignores abortion setbacks: Presumed Republican presidential nominee Bob Dole concentrated on his tax-cutting programme in a party committee address...

Westinghouse Electric, the US industrial conglomerate being transformed into a media company, announced a second-quarter operating profit of \$27m but warned of worse to come for the third three months of the year...

Typhoon damage boosts Taiwan shares: Taiwan share prices rose just over 3 per cent following expectations of a boost to the building sector in the wake of destruction by Typhoon Herb last week...

Syria rejects Israeli talks offer: Syria rejected an offer by Israeli prime minister Benjamin Netanyahu to resume peace talks on a "Lebanon first" basis...

British Petroleum, the UK oil group, announced an 18 per cent dividend rise after reporting record first-half, pre-exceptional profits of \$1.28bn (\$1.89bn)...

Hanoi backs railway project: The Vietnamese government gave a boost to a \$70m proposal by two British companies to upgrade the country's dilapidated rail system...

Japanese move on food poisonings: Japan declared a food poisoning germ that has killed seven people a contagious disease, invoking a rarely used law to give authorities greater powers to contain the illness...

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Table with 4 columns: Market Name, Price, Change, and Note. Includes sections for Gold, Dollar, Sterling, and other rates.

Japanese banks get warning

Inquiries after Daiwa fiasco reveal serious failings in New York offices

The Bank of Japan is to order several leading banks to improve the quality of the management of their overseas branches following the discovery of serious shortcomings in the operations of their New York offices...

declined to reveal the identities of the banks that it had examined but said they were all "major banks". The inquiry unearthed a range of management failures in both market risk management and general internal office management...

lapse of Barings, the British investment bank last year. In the Daiwa incident, Mr Toshitake Iguchi, the bond dealer subsequently convicted of fraud, had been running both the front and back offices for some time, enabling him to cover up the huge losses he accumulated over an 11-year period...

which had claimed to have improved their management systems. In the immediate aftermath of the Daiwa affair, all Japanese banks faced an increase in the cost of borrowing in international markets because of concerns about the quality of their risk management...

International investors remain nervous about the country's financial institutions which are still grappling with a range of other, mostly self-inflicted problems. Most troublingly, they are continuing to labour under a heavy burden of losses from some spectacularly reckless lending in domestic and international markets in the late 1980s...

Rebels kill 16 soldiers in Grozny as president goes back to work

Yeltsin faces new Chechen crisis on his return

By John Thornhill in Moscow

President Boris Yeltsin returned to work in the Kremlin yesterday after a month of rest, and immediately chaired a meeting on the Chechnya crisis as 16 Russian soldiers were killed in Grozny, the capital of the rebel republic...

The main evening news showed only fleeting glimpses of Mr Yeltsin in talks with senior officials, and although he was smiling and shaking hands, he appeared to be moving hesitantly.

With his inauguration as president just three days away, Mr Yeltsin's in-tray was overflowing. The independent coalminers' union threatened a nationwide strike over delayed wages, and a mysterious explosion rocked one of Moscow's main roads just minutes before the car of Mr Victor Chernomyrdin, the prime minister, was due to pass.

After the meeting with senior officials on Chechnya, Mr Yeltsin vowed to take "adequate" measures to respond to the latest separatist assault. But he held out no hope of a longer-term solution to the 20-month conflict.

Despite the recent appointment of Mr Alexander Lebed as secretary of the security council, the fighting in Chechnya has intensified since the presidential elections and the Kremlin has reverted to a more confrontational stance.

While running as a presidential candidate, Mr Lebed had sharply criticised the conduct of the campaign and promised to resolve the conflict by peaceful means on entering the Kremlin. But Mr Sergei Stepashin, secretary of the Russian state commission on Chechnya and former head of the Federal Security Service, yesterday branded senior Chechen leaders "international terrorists" and demanded their prosecution.

Russian security officials dismissed suggestions that the



Back at his desk: Boris Yeltsin (right) with his prime minister Victor Chernomyrdin in the Kremlin yesterday

Moscow explosion was an assassination attempt on Mr Chernomyrdin, but were unable to explain its cause. A series of bomb blasts in Moscow in recent weeks has caused widespread alarm, although nobody was hurt in the latest incident.

Mr Alexander Shokhin, deputy speaker of parliament, said the blast was an attempt to "exert psychological pressure" on the prime minister at a critical time.

Parliament is due to discuss Mr Chernomyrdin's reappointment as prime minister immediately after Mr Yeltsin's inauguration. Mr Yeltsin told Mr Chernomyrdin to get a grip on an energy crisis in the Far East where more than 10,000 miners have gone on strike, demanding back pay. Mr

Vitaly Budko, head of the independent miners' union, warned there could be a nationwide strike if the government did not meet its demands.

British scientists at London's Natural History Museum have already studied fragments of the rock revealing remnants of organic material possibly from underground water reserves.

Croats and Moslems agree to share power in Mostar

By Laura Silber in Belgrade

Bosnian Croat leaders in Mostar finally agreed yesterday to co-operate with Muslim politicians in running the city, ending a bitter dispute which had raised the possibility of Bosnia-wide elections next month.

"We have reached an agreement which was signed by both parties," said Mr Dragan Gasic, a spokesman for the European Union, which has administered the city since 1994 and been struggling in recent days to overcome Croat obstruction.

The breakthrough came as presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia, the two most powerful politicians in former Yugoslavia, said they would meet in Athens today in a bid to normalise their countries' relations.

The resolution of outstanding territorial and financial

issues between Belgrade and Zagreb is one of the last unfinished pieces of business in the regional peace process.

Success would mean that the constituent republics of Marshal Tito's communist state, which collapsed in 1991, had agreed at last on terms for co-existence. But Serb-Croat meetings often raise fears among Moslems that the two larger ethnic groups are colluding at the expense of Bosnia.

In Mostar, EU mediators yesterday expressed relief when they broke a deadlock between Croats and Moslems after three days of exhaustive negotiations, salvaging the EU mission in the divided city.

The EU had threatened to abandon efforts to reunify Mostar unless the Croats ended their boycott of the city council and accepted the results of elections which a Muslim coalition won by a narrow margin.

The Croat boycott, which had threatened to derail the entire peace process, set a dangerous precedent for the Bosnia-wide poll scheduled for September 14.

The Croats and Moslems, allies according to the Dayton peace plan but bitter rivals who fought against each other in 1993, reached agreement only after negotiators from the European Union and the United States exerted intense pressure on Mr Tudjman and his nationalist proxies in Mostar.

The agreement, in part, gave in to Croat demands by saying that the city council would meet just once before a constitutional court, yet to be established, rules on the validity of the Mostar elections. But the deal stipulated that the court must rule within 60 days, allaying Moslem fears that the city council would not operate

Continued on Page 10

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Table of Contents for the Financial Times. Lists sections like European News, American News, World Trade News, and Money Markets with corresponding page numbers.

Dole ignores setback over abortion

By Jurek Martin, US Editor, in Washington

Mr Bob Dole yesterday chose to ignore the apparent failure of his attempt to persuade the Republican party to adopt a more tolerant attitude towards abortion, which has left open the possibility of a bitter public fight at next week's nominating convention.

Mr Haley Barbour, the party's chairman, said this was the right approach, and implied that the economic uncertainties, rather than social issues such as abortion, would come to dominate the election campaign.

The previous night a platform sub-committee, dominated by social and religious conservatives, insisted the party hold fast to its long-standing demand for a constitutional amendment to ban abortion.

Mr Dole's preferred declaration of "tolerance", they said, could not be applied to what they saw as the fundamental moral issue of the termination of human life.

Ms Ann Stone, head of Republicans for Choice, agreed in a TV interview that the religious right had demonstrated its political muscle, adding "and that's a message that I don't think Bob Dole can afford to have come across".

The developments in San Diego threatened to obscure the economic focus Mr Dole tried to bring to his campaign earlier on Monday with his \$548bn tax cut package.

It also leaves him with a tricky tactical decision. A brutal floor fight over abortion may come to resemble the divisiveness so apparent at the party's Houston convention four years ago, prompted by the speech on "religions and cultural" wars from Mr Pat Buchanan.

The rightwing pundit, a candidate again this year, warned last week he could leave the party if the anti-abortion plank was weakened, a threat voiced by several leading religious conservatives.

However, Mr Dole is trailing President Bill Clinton badly among women voters, a majority of whom, according to surveys, do not want abortion to be outlawed. That may be a factor in Mr Dole's selection of a vice-presidential running mate, probably due to be announced in his home town of Russell, Kansas, on Saturday.

In addition, several prominent pro-choice Republican governors, ranging from Mr Pete Wilson of California to Mr George Pataki of New York, have publicly warned Mr Dole not to allow controversial social policy proposals to wreck party unity, as they did at the Houston convention.

Meanwhile, in sharp contrast, the Democratic party's platform committee essentially wrapped up its business in Pittsburgh in a few hours on Monday, without saddling Mr Clinton with any comparable political problems.

AMERICAN NEWS DIGEST

Menem defiant over tax calls

President Carlos Menem of Argentina yesterday said he would not bow to pressure from the International Monetary Fund to increase taxes to close the widening fiscal deficit, arguing it was better to crack down on evasion of existing taxes.

"Argentina is not under pressure and would not accept that kind of pressure," he said. "We will negotiate with the IMF in the appropriate manner."

An IMF team, which began to arrive in Buenos Aires this week, is likely to insist Argentina takes measures to control its ballooning deficit which, it is estimated, will reach \$6bn in 1996, double the target agreed with the Fund.

Missed targets, for which Argentina will be forced to seek an IMF waiver, largely result from disappointing tax receipts, although July's tax take of nearly \$4bn was cause for modest optimism.

The new economic team headed by Mr Roque Fernandez, who took over from Mr Domingo Cavallo last month, is studying the possibility of raising taxes on diesel and petrol. But Mr Menem has opposed such measures.

Mr Menem, whose government tomorrow faces a general strike against recent spending cuts, insisted that growing social discontent would not weaken his political resolve.

David Pitting, Buenos Aires

Oil groups warn of attacks

Leading oil companies have warned of a possible increase in terrorist attacks against US targets in Colombia if Washington's ties with the country deteriorate further.

The warning was made in a July 30 letter to Mr William Ramsay, deputy US assistant secretary of state for energy resources and economic sanctions, from representatives of 11 companies with investments in Colombia's oil industry.

The text of the letter was made public on Monday by Colombia's ministry of energy and mines. Among the companies which sent the letter were Bechtel, Dresser Industries, Drummond, BP America, Chevron, Occidental Petroleum, Texaco and Triton Energy.

Leftwing guerrilla groups operating across Colombia since the 1960s have targeted the country's oil and coal facilities for frequent attack.

On March 1 Washington declassified Colombia as a partner in US efforts to counter the drug trade, citing charges that President Ernesto Samper received millions of dollars in Cali cartel drug money to finance his 1994 election campaign.

Reuter, Bogota

Mexico arrests drugs suspect

Mexican authorities have captured Mr Pedro Lupercio Serratos, alleged to be the chief of the Jalisco drug cartel. The attorney-general's office said Mr Lupercio was arrested on Monday along with his brother, Mr Oscar Gerardo Lupercio Serratos, and two other men, one of whom is a former agent of the Federal Judicial Police.

The arrest, carried out by the army and the attorney-general's office, also netted cocaine, automatic rifles, three handguns and ammunition.

It was the first significant arrest of an alleged top narcotics trafficker since last year's detention of Mr Juan Garcia Abrego. He was extradited to the US, where he awaits trial.

Reuter, Mexico City

Search for a running-mate with everything the candidate lacks

No US presidential candidate ever turned round a losing campaign by choosing a good running-mate. Mr Bob Dole is hoping to be the first.

New that Mr Dole has economic plans - he tried this week to define the "vision thing" which pundits and voters demand - he is ready to tackle the next big decision of his presidential campaign. He must choose a vice-president, and announce his choice, probably on Saturday.

The Republican candidate will be asking a lot of any prospective mate.

He wants someone who looks more immediately presidential than he does himself, young where he is old, fluent where he is tongue-tied, a healthy man or woman whom voters could trust to take over the presidency at a moment's notice from the oldest candidate ever to have run for a first term in the White House.

The rush to take the job has not been overwhelming. The most attractive candidates took themselves out of the running long before the party convention, which begins on Monday in San Diego. General Colin Powell, retired head of the Joint Chiefs of Staff and the essential half of any Republican dream-ticket, insists convincingly that he does not covet the vice-presidency. He is probably the only candidate who might have significantly helped Mr Dole to win.

Mrs Christine Todd Whitman, the New Jersey governor who is a happy combination of fiscal conservative, attractive female and moderate on the crucial issue of abortion, has said publicly, privately and repeatedly that she will not apply.

Governor George Voinovich of Ohio - ranked among the list of frontrunners last month because of his conservatism and the appeal of using him to secure an important midwestern state - cited some implausible reasons for declining. He said he wants to complete his term as Ohio governor and then become a US senator. Such ambitions might seem modest beside the promise of an open door to 1800 Pennsylvania Avenue.

Mrs Elizabeth Dole, Mr Dole's wife, would fulfil the condition of appearing more presidential than her husband - as a former member of two Republican administrations, she is an impressive campaigner and politician - but electoral law prevents her from twinning her spousal role with the vice-presidency. Mr Dole would never have chosen her in any case, wishing to avoid unflattering comparisons with the current husband-wife team in the White House.

Candidate Dole will struggle to fulfil his wish-list from among the remaining contenders: each can be proved to have some fatal flaw to keep him (they are all men) off the "dream-team".

Mr Dole has said he wants his candidate to be a "10 out of 10". He may be lucky to achieve half that.

No one outside Mr Dole's closest clique of advisers yet knows who he will choose. Perhaps he has not yet decided himself. His aides continue to drop broad hints that a surprise candidate might emerge.

But for the moment, speculation centres on a fluid shortlist. It includes Senator John McCain of Arizona, former Vietnamese prisoner of war, who gets high marks for charisma and integrity. Republican pollsters says he rates highest with voters. But he has a messy divorce in his background, which could hurt his chances.

Governor John Engler of Michigan has similar marital demerits lurking in his past, as well as a scandal alleging that the portly Mr Engler deliberately over-ate back in the 1970s to avoid the Vietnam war draft. As a tax cutter and pioneer welfare reformer, he suits Mr Dole's policy needs, and might deliver the important midwestern state of Michigan; but he, like the candidate, is what the pundits, in a parody of political correctness, call "diametrically challenged".

Mr Dole might prefer another conservative midwestern governor instead: Mr Tommy Thompson of Wisconsin. Mr Carroll Campbell, former South Carolina governor, is another name plausibly on the shortlist: Mr Campbell helped orchestrate Mr Dole's crucial

South Carolina primary victory after a humiliation in New Hampshire. He is a fiscal and social conservative who opposes abortion but, in his current job as a Washington lobbyist, might prove too big a target for anti-Washington voters.

Senator Connie Mack of Florida, also believed to be on the list, is a likable man whose past health problems may hurt his image as a counter-weight to Mr Dole's age.

Senator Don Nickles of Oklahoma may get the nod, as a member of the key religious-right voting bloc which Mr Dole may try to court. Mr Pat Buchanan, erstwhile rival for the presidential nomination, has tried to pressure Mr Dole to choose Mr Nickles; that may or may not improve his chances.

Mr James Baker, former secretary of state, might have appeal because of his past government experience.

Mr William Bennett, the former education secretary, is also sometimes mentioned as a dark-horse candidate.

Whomever he chooses, Mr Dole must heed the lessons of history: that vice-presidential candidates can hurt more than they help. He need only remember his own 1976 vice-presidential bid, when he was Mr Gerald Ford's running-mate. Mr Ford lost that election, thanks in part at least to the weak performance of candidate Dole.

Patti Waldmeir



Powell: out of the running



Engler: marital demerits

SIEMENS NIXDORF



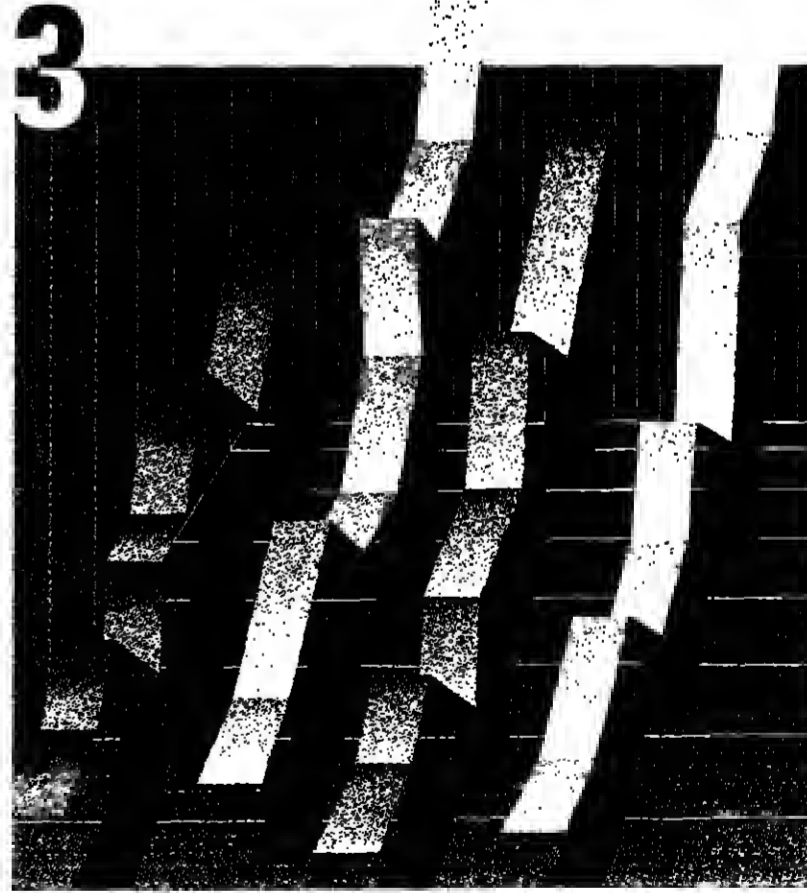
Change Attitudes

Lean Management, global competition, downsizing... Even if you've had your fill of the buzzwords being bandied about by the business press and would rather build upon your organization's proven structures - you're still going to be feeling the extreme dynamics of the market. And you're ultimately going to have to respond to growing time, quality and cost pressures. A new, process-oriented way of thinking will allow you to act, not react.



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EU oil fears over US sanctions law

By Our Foreign Staff

The European Commission warned yesterday that US legislation imposing new sanctions on Iran and Libya had potentially serious implications for the security of energy supplies to the European Union, and said it was examining options for EU retaliatory action.

The legislation, signed by US President Bill Clinton on Monday, requires the president to penalise foreign companies investing \$40m or more a year in the energy sectors of Iran and Libya.

But the Commission warned that 20 per cent of EU oil imports came from the two countries, and the legislation could affect EU supplies.

The EU already has retaliatory measures available in the form of draft "blocking" legislation published last week. This was drawn up to counteract the US Helms-Burton Act penalising investment in Cuba, but was made flexible enough to be applied to other cases where EU interests were threatened.

Commission officials are also considering an appeal to the World Trade Organisation, on the basis that the legislation breaches the 1993 General Agreement on Trade in Services.

INTERNATIONAL NEWS DIGEST

Syria rejects Israeli talks

Syria yesterday rejected the offer by Mr Benjamin Netanyahu, Israel's prime minister, to resume peace talks on a "Lebanon first" basis, saying his proposal was only on a "Lebanon first" basis, saying his proposal was only on a "Lebanon first" basis.

The official daily, Tishreen, said Mr Netanyahu wanted the negotiations mainly to discuss Israel's security problem in south Lebanon, but not the withdrawal from the Golan Heights, captured from Syria by Israel in 1967.

Mr Netanyahu said in Amman on Monday his government had submitted a peace proposal for Syria via the US and was awaiting an answer.

China's ambassador said yesterday that he saw progress towards reaching a global nuclear test ban treaty, as western envoys began to predict a breakthrough in bringing Beijing fully on board.

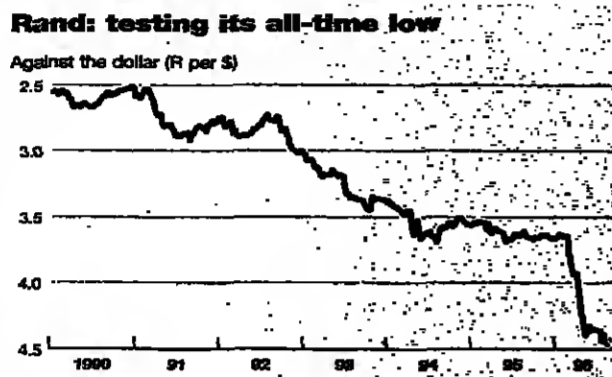
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China's ambassador said yesterday that he saw progress towards reaching a global nuclear test ban treaty, as western envoys began to predict a breakthrough in bringing Beijing fully on board.

Politics continue to dog S Africa's rand

Its value is set to reflect extent of commitment to free market, writes Roger Matthews

Mr Trevor Manuel, South Africa's minister of finance, says he is not losing any sleep over the falling value of the rand. He is convinced the country's economic fundamentals are sound.



Shock waves had been felt throughout South Africa from an outbreak of street warfare in Cape Town, Mr George Fivaz, the national police commissioner, said yesterday, Roger Matthews reports from Johannesburg.

But since the rand took its first serious tumble in mid-February it has failed to claw back any of the ground it has progressively lost against the dollar and last week again came close to its all-time low of R4.57, a depreciation of more than 20 per cent.

However, next year's budget will not be delivered until March 12. Dealers argue that it is too long to wait for government action and, in the absence of any more positive economic signals, the rand will remain vulnerable.

ANC against Mr Stals have undoubtedly contributed to the persistent rumours of his resignation and there are those who argue that the party will not have full control over economic policy until it has its own man at the head of the central bank.

Mr Stals acknowledged there was "some lack of confidence" in South Africa's economic progress. This would be counteracted, he believed, when the government took concrete steps to implement its policies.

Mr Stals acknowledged there was "some lack of confidence" in South Africa's economic progress. This would be counteracted, he believed, when the government took concrete steps to implement its policies.

Zimbabwe, S. Africa in textile deal

By Roger Matthews in Johannesburg



Agreement in principle has been reached between South Africa and Zimbabwe to end their long-running trade dispute over textiles, and the accord may be widened to include other sectors.

A spokesman for the ministry of trade and industry in Pretoria yesterday said another meeting would be held next month between government, business and unions to hammer out the technical details.

The World Bank yesterday said it had given community and non-governmental organisations an unprecedented role in implementing a controversial \$300m development project in the Brazilian state of Rondonia.

The scheme, Planaflo, which includes projects for agriculture, the environment, social development and health, is the successor to the Polonoroeste project - sharply criticised in the 1980s because the new paved highway it built spurred massive deforestation.

NGOs were included on key committees that discussed and approved operating plans. However relations between the NGOs and state officials were strained and the bank was often called to act as a mediator.

Laos and the World Bank have resolved a nine-month dispute which had been preventing the bank from considering support for the controversial \$1.2bn Nam Thuen 2 dam. The dam was considered a test case for bank policy towards large-scale hydroelectric power projects.

The bank and Laos have agreed to revise the terms of reference for two studies - one on alternatives to Nam Thuen 2 and the other on the economic impact of the huge project on Laos.

The dam would also require the relocation of several thousand villagers. The studies required by the World Bank will look at other ways for Laos to develop the area and hydro-power in general, and will look at whether the government is taking on too much risk by backing a project worth more than 70 per cent of its GDP.

Schemes involving Balfour Beatty and Adtranz win priority from government

By Jeremy Grant in Hanoi

Proposals by two British companies to upgrade Vietnam's dilapidated rail system received a modest boost yesterday when the Vietnamese government gave priority to two schemes, one of which is linked to a plan for a "Trans-Asia" railway.

Vietnam wished to move ahead swiftly with upgrading a roughly 100km stretch of railway, linking Hanoi, the capital, with the northern port of Haiphong, Mr Bui Danh Luu, Vietnam's transport minister, said.

They do not clear the way for financing, however. Balfour Beatty and Adtranz had thought their projects might be eligible for financing under an existing \$60m concessional finance arrangement (CFA) initiated between London and Hanoi in 1994.

However, the money is likely to be used instead for two bridges, urban water supply and coastal marine communications systems.

French, in part of a stretch of railway that the Vietnamese want to upgrade, running north-west from Hanoi to Lao Cai, on the Chinese border. Hanoi is eyeing improvements to this railway as part of plans for a Trans-Asia railway linking Thailand, Cambodia, Vietnam, China and Laos with the rest of Asia.

Britain ranks 19th in the list of foreign investors in Vietnam, with \$478m earmarked for 19 projects, mostly in oil and gas. During Sir George's two-day visit, UK construction and engineering group Taylor Woodrow announced that it had applied for a licence to open a representative office in Vietnam.

The Organisation for Economic Co-operation and Development announced new minimum interest rates (96 for officially supported export credits for August 15 1996 to September 14 1996 (July 15 1996 to August 14 1996 in brackets).

Table with columns: D-Mark, Yen, French franc, Guilders, US dollar for credits, etc. and interest rates.

Relations within the SADC may also improve as a result of better trade ties between South Africa and Zimbabwe.

These are likely to include both manufactured and agricultural products.

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Handwritten text in Arabic script: "صكنا من الامم"

صكنا من الامل

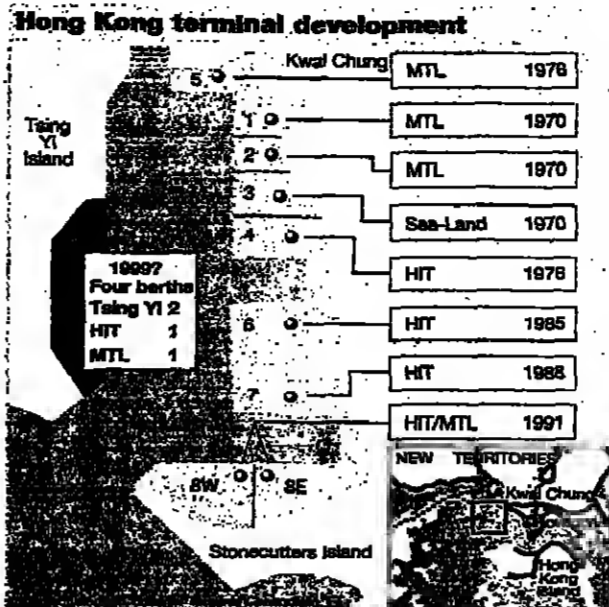
Deal in prospect on Hong Kong's port

By Louise Lucas in Hong Kong

The expansion of Hong Kong's port, deadlocked for more than three years by a Sino-British dispute, appears to be in sight. The colonial government is hopeful construction will begin at the end of the year.

provoked the stalemate. The Hong Kong government now hopes the settlement, worked out by the port operators themselves, will be ready to go before next month's meeting of the Joint Liaison Group, which negotiates matters relating to the handover of sovereignty. The agreement could still be overturned, however, as China has the right to approve the final line-up.

Mr Tony Clark, secretary of the Port Development Board, said: "We have been moving towards a solution. It has certainly been our target to get [a deal] to the September JLG meeting because we want to start work on the terminal towards the tail-end of this year."



Two companies essentially control the port. Modern Terminals (MTL), a private company majority owned by the conglomerate Wharf Holdings, operates berths at three terminals and part of CTB. Hutchison International Terminals, part of Mr Li Ka-shing's property and infrastructure empire, likewise controls three terminals and operates alongside MTL at CTB.

Manila's income outlook improves

By Edward Luce in Manila

The Philippine government yesterday unveiled the country's first budget surplus to be generated from regular income as opposed to revenues from its privatisation programme. In a move it hopes will put the country's finances on a more even footing.

Japan reform plan rejected

Japan's ruling coalition yesterday failed to agree on a plan to reform the country's Finance Ministry. Liberal Democratic party leaders rejected a blueprint for reform drawn up by a committee consisting of Social Democrats, claiming they had not been informed in advance of its proposals.

Typhoon Herb fuels Taiwan shares

By Laura Tyson in Taipei

Taiwan share prices rose 3.01 per cent yesterday, fuelled by expectations of a recovery in the building sector in the wake of destruction by Typhoon Herb last week.

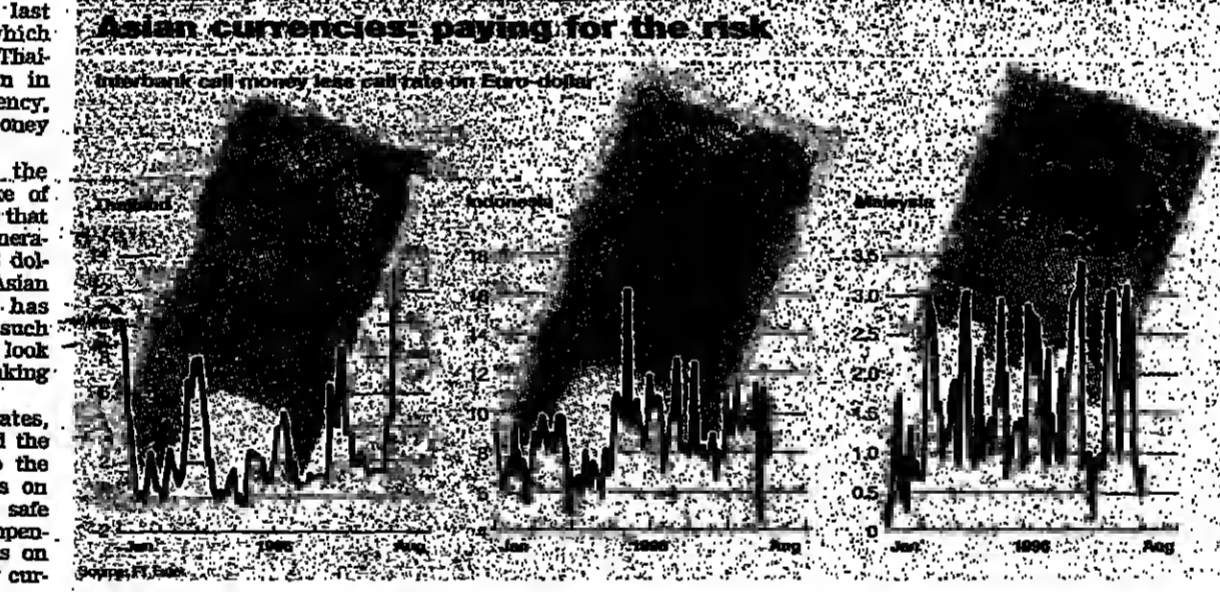
would be speeded to boost the economy also buoyed investor sentiment. At least 41 people have been killed, dozens are missing and tens of thousands are still stranded in remote villages. In central Nantou, the area hardest hit by the typhoon, whole villages were engulfed by landslides, with 22 people buried in one village alone.

Herb's onslaught poses a fresh challenge for President Lee Teng-hui, who is already facing public criticism over recent unpopular cabinet choices and the alleged involvement of ruling party officials in public construction projects.

Money traders get reminder of risk

Attack on baht highlights vulnerability of Asia's currencies, writes Peter Montagnon

The speculative attack last week on the baht, which prompted the Bank of Thailand to spend well over \$1bn in defence of the country's currency, has come as a jolt to Asian money traders.



of the riots was felt more strongly in equities. But, adds Mr Fung, one of the reasons Asian currencies carry higher interest rates than dollars is because they involve a greater degree of risk. Recent events are not necessarily a sign the dangers have increased, but rather a reminder of risks that always lurked.

As the latest pressure on the baht was triggered by worries about export competitiveness, which are at present echoed elsewhere in Asia, dealers say there is little chance of bold action. But, says Mr Ng Bok Eng, regional economist at Deutsche Morgan Grenfell, Asian countries may want to engineer a real depreciation of their currencies in coming months to improve their export competitiveness.

payments deficit, though it fell sharply in January when these worries first surfaced in January. "The markets have got more sophisticated in the last six to nine months. Previously, any one event would have produced a reaction across the board. Now they are assessing risk on a country-by-country basis," says Warburg's Mr Chan.

Philippines Government budget balance (p000,000) 1994-97. The chart shows a significant deficit in 1996, with a projected recovery in 1997.

Australia to reinstate airport ownership curbs

By Niklil Tait in Sydney

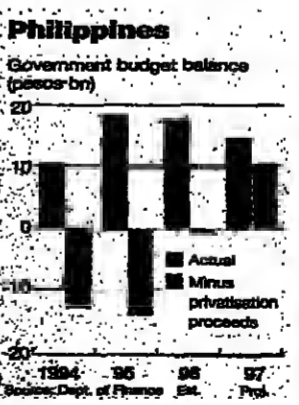
Australia's federal government has agreed to reinstate curbs on cross-ownership of the nation's main airports, to expedite legislation for a \$6.8bn (US\$1.6bn) privatisation scheme through parliament.

The Victorian state government plans to sell off three more electricity generating assets "in the next two years", as well as its partial stakes in two other projects, it said yesterday, Niklil Tait reports.

power stations and the Southern Hydro group of hydro-electric stations. In addition to these wholly-owned assets, Mr Alan Stockdale, Victoria's treasurer, said yesterday the state would seek to sell its 49 per cent interest in the Loy Yang B, controlled and operated by Mission Energy, as well as its 29 per cent stake in the Snowy Mountains hydro-electric scheme, which is a joint venture between the Commonwealth government and the state governments in Victoria and New South Wales.

which won party support for the move in 1994. The privatisation stalled after the Liberal-National coalition, then in opposition, refused to support the sale of Sydney airport until noise issues there had been resolved. When the coalition won at the March election it reintroduced the airport sale legislation.

this month and hope for a fairly quick passage. Qantas, Australia's main international airline, warned however that other critical issues still needed to be addressed. In particular, it cited the question of principles for charging fees, as well as involving for airport charges, dispute resolution, and service standards.



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صباح من الامل

ARTS

Television/Christopher Dunkley

Network brings home the gold

It all began with one of those overheard snippets of conversation between two chaps in the gents...

and the cast from *EH De EH*, then a 30-year-old episode of *Morcombe and Wise*...

network appeals so strongly to some viewers? The effect, on bad nights, can be like watching a continuous panopticon or some endless end-of-the-pier show.

It is bad enough when it is a question of guest artists that you do not happen to like... for example, brought *The Good Old Days*, the music hall series recorded in the City Varieties Theatre, Leeds...

splendid 1985 drama *Edge Of Darkness*.

That is the trouble with a network of this sort, if you try sticking to it exclusively, anyway: since virtually all the programmes are repeats, almost everyone will have preconceived ideas of what is worthwhile...

It clearly makes much better sense to dip in and out, using UK Gold as part of a calorie-controlled diet...

The general feel of the channel could be considerably improved by a few judicious edits. Even though everyone realises that this is recycled material, it seems unnecessary for Jim Bowen to say how delighted he is that we could join him on this Sunday evening...

That said, judging from the quantity of advertising on the network (assuming it is all paid for at proper rates) they must be doing something right...

Ballet/Clement Crisp

Bolshoi plays with freedom

Russian ballet - and most especially its two great troupes, the Kirov and the Bolshoi - has been in crisis since the end of the Soviet era. The crisis has not simply been owed to the collapse of a system which provided the rules and the financial sustenance...



Alamy Ltd

A sustaining tradition: the Bolshoi Ballet

company has just spent three weeks in Graz. The setting is idyllic. The city is an architectural gem, an old Renaissance town at its heart filled with unspoiled treasures...

There was the same feeling of a sustaining tradition in performance, so that every action or gesture appeared logical.

leading ballerinas. As on the visit of the company to London three years ago, Nadezhda Grachova and Galina Stepanenko dominated the casting...

Both dancers lack even the faintest hint of lyricism or grandeur, and with several of the female soloists I noted the same tendency to push the choreography at us on terms that may best be called 'unsubtle'.

Among the men, led by Andrey Uvarov and Srei Filipin, style was altogether more elegant. Uvarov in *Don Quixote* was a prince forced to go slumming; Filipin, in *Raymonda* and *Sleeping Beauty*, was a prince in his own right...

What puzzled me was the style of the visit of the company to London three years ago, Nadezhda Grachova and Galina Stepanenko dominated the casting with Nina Semizorova as a reminder (and an assured one) of an earlier generation of artist.

Theatre/Ian Shuttleworth

Spiritual beacon

After this month readers of arts pages will encounter many fine examples of "Edinburgh beads": implausible critical ravings about the likes of a Hungarian woman in a perspex tank or a Japanese company performing modern dance to a soundtrack of industrial krautrock...

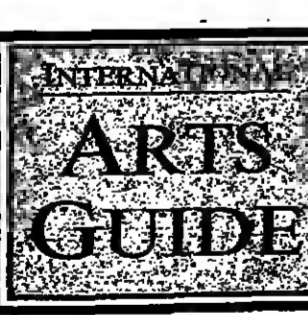
Further, although it makes no explicit claims to this effect, Mihai Manutiu's production can be read as a loose parable of the early Romanian revolution itself: for Canterbury, read Timsoara; for Thomas Becket, read Father Laslo Tokes.

Marcel Iures is a world away from the composure with which Becket is often played. Tortured and blinded by the Templars, he seems even to give in for a while to the blandishments urging him to martyrdom from motives of self-glorification.

Eliot's play as a spiritual beacon against the darkness of a despotic temporal power, was banned in Romania under the Ceausescu regime. Watching this fearsome production - by Art-Iuter Odeon, a company of artists whose freedom of expression has been in danger from the post-revolutionary government...

the dream closest to his secret heart - martyrdom for vanity. Radu Anulea's first line of the evening - the play's final prayer. Becket's dark half and stalks through the whole play, flinging handfuls of grain to the scabbling women, acting as the main agent of Stesanesca's torment and, when it seems Becket may overcome the four Samurai-like Knights (played by the four other Templars), plunging the fatal dagger into his breast.

At the Almeida Theatre, London N1, until August 10 (0171-359 4404).



- AMSTERDAM
CONCERT Concertgebouw Tel: 31-20-5730573
Jeunesse Musicales World Youth Orchestra with conductor Michel Tabachnik and pianist Geoffrey Madge perform works by Brahms, Gershwin and Dvořák, 8.15pm; Aug 8

- BERLIN
EXHIBITION Berlinische Galerie - Martin-Gropius-Beau Tel: 49-30-254080
Anne Ratkowski - Eine venezianische Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918.

- CHICAGO
EXHIBITION Art Institute of Chicago Tel: 1-312-4433600
Since the Harlem Renaissance, Sixty Years of African American Art: exhibition of 29 works on paper from the museum's collection to complement the travelling exhibition 'African in a Crowd'.

- LONDON
EXHIBITION Design Museum Tel: 44-171-3786055
100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of 20th century furniture.

- LOS ANGELES
CONCERT Hollywood Bowl Tel: 1-213-850-2000
Hollywood Bowl Orchestra with conductor John Mauceri and vocalist Judy Collins in a programme featuring works by American composers and fireworks; 8.30pm; Aug 9, 10

- NEW YORK
CONCERT Avery Fisher Hall Tel: 1-212-575-5030
New York Philharmonic with conductor Kurt Masur perform works by Tchaikovsky, Bernstein and Prokofiev.

- PARIS
EXHIBITION Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
Comme un Oiseau: this exhibition explores the universe of birds as seen through human eyes, from some of man's earliest art to the most recent experiments in contemporary art; to Oct 13

- THE HAGUE
EXHIBITION Het Paleis Tel: 31-70-3381120
Leon Spilliaert (1881-1946): exhibition of some 100 works by the Belgian artist.

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COMMENT & ANALYSIS



Edward Mortimer

A mild patriotism

Even the supposedly liberal concept of civic nationalism cannot separate itself from culture and ethnicity

"The essential focus of loyalty remains the nation state." This statement, which Douglas Hurd, the former UK foreign secretary, opened his Ditchley Foundation lecture last month, is much more widely accepted in 1996 than it would have been in 1990. Since then, three multinational socialist federations in central and eastern Europe - Yugoslavia, the Soviet Union and Czechoslovakia - have broken up into nation states; and the European Union is now usually presented even by its most enthusiastic supporters as an association of nation states, rather than a developing multinational federation.

Political theorists by and large concur with Mr Hurd's judgment. Already in the 1980s the late Ernest Gellner, the anthropologist and intellectual, concluded that "nationalism is fated to prevail", as an inescapable reality of the modern world. This has led many modern thinkers to search for a benign form of nationalism which can be promoted as an antidote to the more dangerous forms.

Michael Ignatieff, for instance, in his book *Blood and Belonging* (BBC Books 1993), defends "civic nationalism" while condemning "ethnic nationalism". The former, he says, "is called civic because it envisages the nation as a community of equal, rights-bearing citizens, united in patriotic attachment to a shared set of political practices and values".

Some elements of this ideal, he believes, "were first achieved in Great Britain", but it was the French and American revolutions which turned it into a universal model.

Ethnic nationalism, by contrast, Ignatieff identifies as a German idea: "What gave unity to the nation, what made it a home, a place of passionate attachment, was not the cold contrivance of shared rights, but the people's pre-existing ethnic characteristics: their language, religion, customs and traditions."

Similarly Julia Kristeva, the Bulgarian-born French scholar, identifies with a "political, legal" concept of the nation, which she traces back to Montesquieu, the French philosopher, but rejects a "mystical" one, "rooted in soil, blood and language", which she too considers to be of German origin. And Jürgen Habermas, the German philosopher who largely accepts this critique of the German nationalist tradition, calls for a reconstruction of German national identity around "constitutional patriotism" - which sounds very like Ignatieff's civic nationalism.

Yet this distinction between ethnic and civic is a little too pat, as Robert Fine of Warwick University pointed out in an article in the journal *Democratization* in 1994. There are civic elements in the German tradition, and neither French nor British concepts of national identity are free of ethnic ingredients.

That certainly came across in a debate at Warwick on "multiculturalism versus laïcité" between Olivier Roy, a French expert on Islam, and Bhikhu Parekh, a British authority on community relations. Both French and British nationalists have a tendency to proceed from a particular notion of what is "civic" to a catalogue of virtues or "values" deemed to be rooted in French or British culture.

Champions of British national identity, such as Enoch Powell and Baroness Thatcher, associate it with parliamentary sovereignty, individualism, loyalty to one's kith and kin, and a sense of being a "singular" country "with her face to the oceans and her back to Europe". For Lady Thatcher, "the British character" includes a distinct set of virtues, notably economic ones, and is incompatible with socialism.

But as Professor Parekh points out, "every attempt to define national identity involves distortion". Lady Thatcher's version leaves no room for what others might see as important elements in British culture such as gentlemen, intellectuals, scepticism and self-doubt.

In the French case, civic virtues are held to include hospitality to refugees (*France, terre d'asile*), but also loyalty to the one and indivisible French republic with its separation of church and state (*laïcité*). This means, for instance, that Moslem girls must not import religious differences into state schools by wearing headscarves in class.

Olivier Roy defended this ruling on the grounds that the girls who wanted to wear the scarf, and those encouraging them to do so, "wanted not only to gain the right to choose but also the legal recognition of the scarf as a marker of a communal identity". The next step would be to make it "a moral obligation for any girl who calls herself a Moslem to wear the scarf".

Mr Roy argues that the French state would be wrong to accord recognition to such communal identities, since the demand for it comes not from the grassroots but from "a communal elite of would-be notables". He rejects multiculturalism on the grounds that it tends to freeze, if not create, separate cultures within French society, whereas what is happening spontaneously is the gradual integration of second and third-generation immigrants into French culture.

Prof Parekh, by contrast, argues that human beings are "culturally embedded", so that one is not truly respecting individuals unless one also respects the different cultures to which they belong. He therefore favours a "thin" concept of national identity which, instead of embracing values which many citizens will inevitably reject or fail to live up to, contents itself with a minimal consensus on the procedures and institutions needed to enable people of widely differing values and ways of life to live together.

He points out that "democracy creates as well as presupposes shared values". In other words, in so far as the British people share democratic values that is the result of their shared experience of democracy, and one should not demand that immigrant communities already share such values as a precondition of citizenship.

"Civic nationalism", then, cannot in practice, or perhaps even in theory, divorce itself completely from culture and ethnicity. If it insists on acceptance of its own civic culture as a condition of citizenship it soon finds itself discriminating against ethnic minorities, but if it waives that condition it risks consolidating or stimulating separate ethnic communities which exclude themselves from the civic nation.

LETTERS TO THE EDITOR

Number One Spinnaker House, London, SE18 3PL

We are keen to encourage letters from readers, but space is limited. Letters must be sent to 'The Editor', and must be signed. The editor may be available for interviews.

Bosnians should have more time The end

From Mr Arthur C. Helton.
Sir, Carl Bildt, high representative in Bosnia, Hercegovina, rightly argues that one year "is not enough time" for the international community to fortify the reconciliation in Bosnia (Personal View, August 2). The continued military deployment by the "transatlantic coalition" and the establishment of "economic co-operation" will certainly be necessary to get down to the serious business of state-building.

However, there are important implications of an extension of the arrangement in Bosnia for a matter not mentioned in Mr Bildt's article - refugee repatriation. Only a few thousand of the 700,000 Bosnians in western Europe have returned. Given the climate of insecurity, the level of repatriation is nearly nil. As part of a renewed international commitment, host governments, particularly Germany, Switzerland and Slovenia, should cancel plans to revoke the status of Bosnians this autumn, and instead permit them to reside indefinitely in those countries. Voluntary return to Bosnia, of course, should be permitted and, indeed, encouraged to places of safety. But upwards of 500,000 Bosnians may need new permanent homes. While local integration undoubtedly will be the principal solution, the transatlantic coalition should also share this burden through enhanced resettlement commitments.

Arthur C. Helton, Open Society Institute, 585 Seventh Avenue, New York, NY 10106, US

Odd morality Nationalism by merely a different name

From Mr Paul Shrank.
Sir, Re the letter from Mr Andrew Simms (August 3/4), we are now to understand that Christianity believes that stolen money should be used for debt relief rather than be returned to its rightful owners or their heirs? This seems a strange morality.

Paul Shrank, 33 Northway, London NW11 6PB, UK

From Mr George Choudhary-Best.
Sir, There is obviously something in the hypothesis presented by Edward Mortimer ("The state of nations", July 31) on the subject of the nation or nation-state. But is not discussion bedevilled by the fact that before the American and French revolutions most states were monarchies, and it was therefore more correct to describe them as "kingdoms" or "realms"?

Even today, the UK is less of a "nation" than the US, if only because it consists of three nations in an older sense, England, Scotland and Wales, with the remains of a third, Ireland. It is more semantically correct to describe the US as a nation in the singular because its individual components are states, not nations.

There is no space for full discussion so I will confine myself to pointing out that when Henry VIII declared England to be independent of Rome he asserted that it was an "Empire entire of itself". Surely this was an assertion of nationalism in a sense indistinguishable from that of the past 200 years, despite the word used being different?

G. Choudhary-Best, 37 Walpole Street, London SW3 4QS, UK

Telecom problem lies with system, not death of numbers

From Mr Derek H. Broome.
Sir, Your editorial headline "Famine of digits" (August 6) could mislead. BT's "PhoneDay" swept the problem under the mat, and the industry regulator, Ofcom, is again lifting a carpet bulging with effluvia. A totally new approach based on customers' requirements rather than the convenience and prejudices of BT is now required.

There is no "famine", only misallocation. Eleven digits imply an ultimate address potential of 99bn. Where have all the numbers gone?

The problem lies with BT, which runs an electronic system on the lines laid down by Mr Strowger 100 years ago. What customers want is an address, not a line, and if this principle is followed, far less numbers would be needed, and the system would again be comprehensible. Some examples include:

- The 0 prefix is a relic of Strowger's ghost which clanked its way to an 0 level switch from one exchange to another. It could be abolished or used to multiply the existing numbers by 9.
- The chaotic national coding system occupies 19 pages of close print. Massive redundancy could be eliminated by combining these into a dozen areas of approximately equal potential capacity. With portable numbers, location is irrelevant.
- Companies with one directory number are given separate numbers for hundreds of lines. Modern programs can cope without this.
- BT and other operators reserve thousands of numbers for their own purposes. The simple solution is to make the polluter pay. This can be done by removing directories as well as number allocation from BT control and transferring them to an agency which owns the copyright of both. It can be funded by charging operators for numbers and directory information. Individual customers should see a substantial reduction in line rentals which are presently bundled with directory and similar charges. Although Ofcom has now taken responsibility for numbering, it has neither the resource nor the scope to tackle this fundamental problem.
- Hopefully, with a more enlightened approach, free of electromagnetic thinking, punch might eventually punch in DHB/Mears/Ash and get me wherever. Why not? We have the technology.
- My postcode, NN8 0DZ can find me within 100 metres. I do not have to have separate addresses for parcels and letters, or for deliveries other than by Royal Mail, and nor do I pay for my postcode.

Derek H. Broome, 52 Wellington Road, Mears Ashby, Northampton NN6 0DZ, UK

Personal View • Geoffrey Howe

When it's right to resist

We must prevent UK Eurosceptics from turning the Tories into an anti-Emu party



For some months now we have grown used to studying the entrails of the "Ken and Eddie Show" - the monthly meeting between Britain's chancellor of the exchequer and the governor of the Bank of England. But it is not the only show in town, nor even the most important.

The "Ken and John Show" - the longer running partnership between the chancellor and prime minister - will matter more in the months ahead. Two compacts lie at its heart. The first, crucial to the survival of the government, is the formal commitment made by John Major's cabinet in April to "keeping our options open at the next election" on a European single currency, in return for allowing a referendum if the UK enters during the next parliament.

The second is the unspoken pledge by both men to take no risks, fiscal or monetary, with the credibility of Britain's hard-won success in returning to the path of non-inflationary growth. Both these compacts are facing serious threat, ironically from "new right" forces within the Conservative party, led by John Redwood.

The hazards for Britain's European future grow clearer week by week. Two very recent events have focused attention specifically on the imminence and significance of the choices we make on a single currency.

First came the outburst of City anxiety at the risk of discrimination against the "outs" (non-Emu members) within Target, the future European payments system. Second was Toyota's warning about the dangers of the UK turning its back on European economic and monetary union.

Both episodes underline the practical importance of Britain's growing economic interdependence with Europe. The combination of EU membership and a suc-

cessful single market has tied British industry into an "ever closer union" with the continent.

Since 1973, UK exports to EU states have grown twice as rapidly as to the rest of the world. Visible exports to Germany alone now equal those to the US and Japan combined.

As the EU has emerged as the largest single market in the world, so inward investment into Britain has boomed. The UK has attracted over 30 per cent of all inward investment into the Union - and recently 40 per cent of Japanese (Salm from Toyota alone) and 50 per cent of South Korean. Foreign multinationals have been attracted not by the UK's 57m consumers, but because we offer a low-tax, enterprise-friendly access point to 570m consumers in the EU as a whole.

John Major often proclaims Britain's aspiration to be the "enterprise centre of Europe". His phrase divides into two halves: first, pursuing enterprise policies; and second, being and staying, as he himself used to put it, at "the heart of Europe". Both are necessary conditions for this strategy to work.

It is the second component which is directly challenged by the ratchet effect of Euroscepticism. The "down-

The Eurosceptics' "no to Emu" is characteristically matched by their rhetoric of "yes to tax cuts", at any price. My own record, as Margaret Thatcher's first chancellor, should leave no doubt about my deep hostility to high direct taxation. But we never doubted then that control of public sector spending and borrowing had to come first. It is totally foolish now to suppose, after 17 years of Conservative government, and with Britain's public spending less as a percentage of GDP than anywhere else in the EU (except Luxembourg), that any easy savings remain to be found. Ironically it is Eurosceptic ministers who control some of the highest spending departments: Michael Portillo (defence), Peter Lilley (social security) and Michael Howard (Home Office).

The opponents of a single currency say they want a tough monetary regime in Britain - even while advocating a higher priority to tax cuts over deficit reduction - and claim that the UK could and should pursue the path of virtue alone.

The reality is that, outside Emu, Britain would have to pay a substantial premium for the "freedom" to follow, as an independent "sovereign" state, the very same path on to which an inner-core group of European states would be automatically locked by their shared commitments. That premium will be measured in higher interest rates and uncertain market confidence, because of the fear that the UK would use its freedom to devalue and inflate. Tax cuts in Britain would be less likely, not more, outside Emu.

Both players in the Ken and John Show understand that it is vital to resist the siren calls of the right. "Any enemy of John Major's," Kenneth Clarke once said, "is an enemy of mine." It is a two-man show. And the credibility and self-respect of each partner - not to mention the possible re-election of the Major government - depend upon its survival and its strength.

Lord Howe was UK Chancellor of the exchequer 1979-83, foreign secretary 1983-85, and deputy prime minister 1989-90

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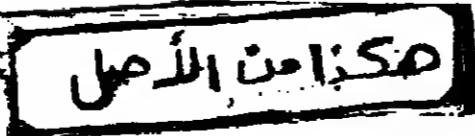
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سكرا من الالاهل

COMMENT & ANALYSIS

Japan waits for the call

Delays over liberalising the telecoms industry and restructuring NTT are hampering competitiveness, says Michiyo Nakamoto

FINANCIAL TIMES
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Wednesday August 7 1996

Soft landing in China

The Chinese authorities seem to have done a remarkable job of cooling inflation without stopping growth. They are now under strong pressure to loosen the monetary reins. Some relaxation is justified. But in China's semi-reformed economy, credit should remain tight.

Germany's beef

It is fortunate that the latest skirmish in the continuing beef war between Britain and Germany has come during the holidays. Everyone can take time to think. The flare-up started last week, when British scientists reported that "mad cows" could pass their disease to calves.

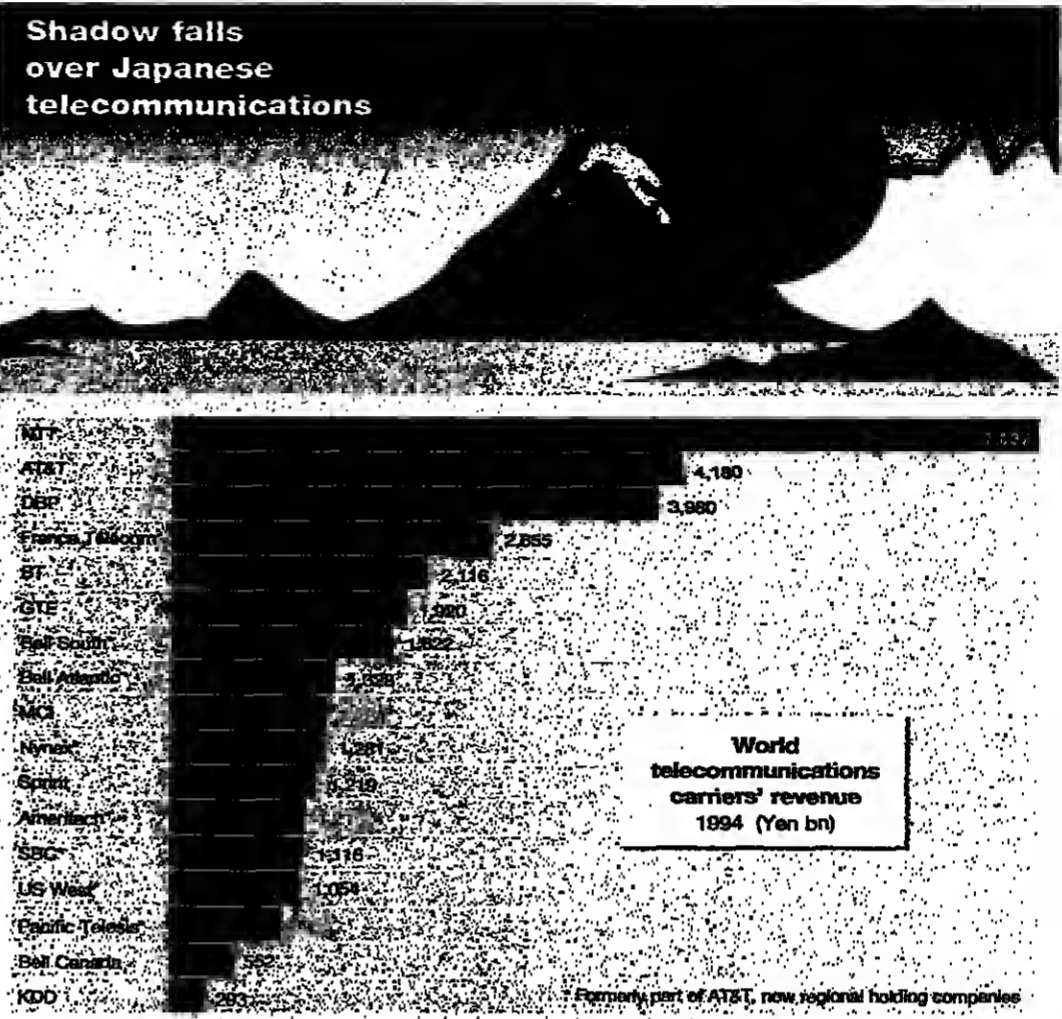
Jumbled mail

The latest UK postal dispute looks like bearing out what ought to be a golden rule for trade unionists. The more a company dominates its market - the closer it approaches a monopoly - the less it pays the workers to go on strike.

Shadow falls over Japanese telecommunications

At a time when world telecommunications markets are expanding rapidly, Japan's telecoms industry, the largest in the world after the US, has been left in an uncomfortable limbo.

Corporate R&D spending



Communications market

Table with columns: US, JAPAN, PER CAPITA RATIO US/JAPAN, YEAR. Rows include Email boxes, Host computers, Personal computer shipments, etc.

NTT's control over the local loop

NTT's control over the local loop has also restricted the growth of new telecoms services in Japan. It took NTT a long time to secure an agreement with NTT for interconnection to its local network that would allow them to provide services used by big companies for linking their branches.

Beating the odds

Executives at Theros Gaming, a Chicago-based company which has invested Dra.Sha (Siam) in a new casino outside Patras in western Greece, are breathing sighs of relief.

Crying wolf

Recent ructions at Crosby Securities, the stockbroking arm of the rather aggressive Little Asia merchant bank Crosby Financial Holdings, have constituted good news for Mann Bhaskaran, its prominent Singapore-based economist.

Naked force

Ask painter Sergei Bocharov what has changed in post-Soviet Russia, and he would probably answer - not much.

It's history

Choosing a handle for an association of litigating Lloyd's of London Names has never been easy, given the insurance market's complexities.

100 years ago

Incident at Ostend. Members of the Stock Exchange do not usually go about clad only in a straw hat, a pair of shoes and a wrapping of towels.

50 years ago

Shortage of Newsprint. Following the ratification by Congress of the U.S. Loan to Great Britain, the Government promised an increase in the supply of certain commodities of which newsprint was one.

Beating the odds

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OBSERVER

Financial Times



LEGAL DEFINITIONS
advocacy n. 1 sickness caused by excessive consumption of Dutch egg-yolk liqueur 2 skill of pleading a case orally in court 3 support for a cause. See ROWE, A MAW: asop (p4 0171-248 4282)

Government fixes sale date despite union opposition

Italy to press ahead with telecoms sell-off

By Robert Graham in Rome

Italy's centre-left government yesterday took a historic decision to press ahead with the L26,000bn (\$16.38bn) privatisation of Stet, the telecoms group, and split off non-core businesses in the face of strong opposition from unions.

Yesterday's decision represented an important victory for Mr Carlo Azeglio Ciampi, the treasury and budget minister, who is determined to accelerate the privatisation process to raise revenues for Iri and to signal Italy's desire to loosen the state's grip on the economy.

The decision, reached at a restricted cabinet meeting, included the guidelines under which the Treasury will control the privatisation of Stet, which has a market capitalisation of L25,000bn. The Treasury is today expected to write a letter to the board of Iri spelling out these guidelines.

The non-core businesses will be sold off first. This will happen before a telecoms regulatory authority, already approved by parliament, begins operating in the autumn.

Market analysts believe the break-up of Stet with the separate sale of its non-core businesses could increase the overall value of the privatisation by up to L8,000bn. At the same time, Iri desperately needs to

Chinese bank aims to put an end to the queue

By Tony Walker in Beijing

A Chinese state-owned bank is attempting to break with a long tradition of poor service by promising to compensate customers if it fails to meet a quota of minutes for every transaction.

The Bank of China, the foreign currency bank, has set a time limit of two minutes for current account transactions, six minutes for foreign currency business and three minutes for trading in state treasury bonds.

If single staff take longer than allotted, customers would be paid 10 cents for each minute of delay, generous compensation in a country with an average annual urban salary of only Yn5,216 and which offers low interest rates for depositors.

Western bankers, familiar with surly staff and the culture of the queue, expressed scepticism about China's latest reform.

"It may hopefully stop staff going on having a tea break or conducting a lengthy private telephone call in the middle of a transaction," said one foreign businessman. "But I would be very surprised if it led to much of an improvement."

Chinese banks, generally, are unwelcoming. Sleeping tellers are not unusual and staff often seem more interested in talking to each other than to customers. And then there is the conning of the money when words of remittance, "people's money", are omitted and recomputed while customers, waiting for their share, are kept waiting.

But Bank of China, one of China's "big four" specialised banks, clearly feels obliged to respond to increased competition from commercial banks, including foreign joint ventures, which are beginning to cut into its business.

Mr Wang Kuebing, the bank's president, said recently that the bank was facing "significant" challenges. "Lines between banks are becoming blurred," he said. "Bank of China is now playing in an arena in which a lot of people are fighting."

This is reflected in the fall in its share of foreign exchange transactions. While BoC continues to dominate the market, its share last year was down to 70 per cent compared with more than 90 per cent a decade ago.

China's banking market is dominated by the Industrial and Commercial Bank, Agricultural Bank, Bank of Construction and Bank of China, which account for more than 80 per cent of loans.

Editorial Comment, Page 9

Pressure grows for OECD reform and budget cuts

By Gillian Tett, Economics Correspondent

The industrialised world's influential think-tank, the OECD, is facing growing pressure for sweeping reform of its operations and budget cuts.

A top official of the Organisation for Economic Co-operation and Development has called for radical changes at the Paris-based group and the first major management consultancy report on the group found gross inefficiencies.

Criticism of the OECD follows a decision by the US, the group's biggest donor, to cut its budget contribution. The developments have increased pressure on Mr Donald Johnston, the organisation's new secretary-general, to introduce sweeping changes.

Mr Johnston, who arrived at the organisation two months ago, has already tightened management structures and will unveil broader plans for reform this autumn. The US and several other

countries hope these will involve radical cost cutting. The US, which provides 25 per cent of the OECD's FFr1.7bn (\$300m) budget, recently cut its contribution by 2.5 per cent. Its move is likely to be copied by other countries soon.

With staff costs accounting for some 85 per cent of the budget, there are growing fears of job cuts among the group's economists.

Some officials hope savings can be made in support staff. According to the report from the consultancy Coopers and Lybrand, OECD support staff are badly organised, over-expensive and so bureaucratic that they left the management "burdened by regulations".

The report suggests that some functions like security and translation work could be contracted out to private companies.

However, calls for cuts are being opposed by some countries. Japan, the second-largest donor providing 23.5 per cent of the budget, fears budget

reductions could affect the quality of the group's work.

Mr Takashi Nakamoto, minister at Japan's OECD delegation, said the OECD was "a body of brains - if that suffers the quality of the group suffers".

Mr Pierre Winde, outgoing deputy secretary-general of the group, echoed these fears.

In a recent statement to OECD leaders he warned that cutting staff salaries would leave the group unable to attract competent economists. Some countries were already "topping up" OECD salaries to persuade economists to work there, he added.

Mr Winde acknowledged that the group had changed in recent years but said the OECD management was too inflexible. He called for an end to the tradition of requiring OECD members to agree publicly on every matter. "This made its research and statements 'bland', he said, arguing that countries should issue dissenting reports.

Croats and Moslems to share power

Continued from Page 1

to resolve the dispute and merely postponed it. "We have had previous experience when one of the parties refuses to accept a decision which is clearly legal," said an EU official.

"When the court decision comes, the parties may choose to ignore it. We have overcome one problem, but the quarrel will go on somewhere else," he said, speaking on condition of anonymity.

FT WEATHER GUIDE

Europe today

A zone with rain and thunder showers embracing Germany, Switzerland, south-eastern France, the Pyrenees and northern Spain and Portugal will slowly move east. Ahead of this zone, warm and unstable air will produce scattered thunder storms in Austria and northern Italy. Behind this zone, cooler air will enter western Europe. Southern parts of Spain and Portugal, Italy, the southern Balkan states, Greece and Turkey will remain sunny and dry with tropical temperatures. Scandinavia will also be dry with temperatures around 22C.

Five-day forecast

The British Isles will remain unsettled. The mainland of western Europe will be dry and sunny but rain and thunder will arrive during the weekend. Scandinavia will stay dry, except for southern Norway. The Mediterranean will remain sunny and warm.

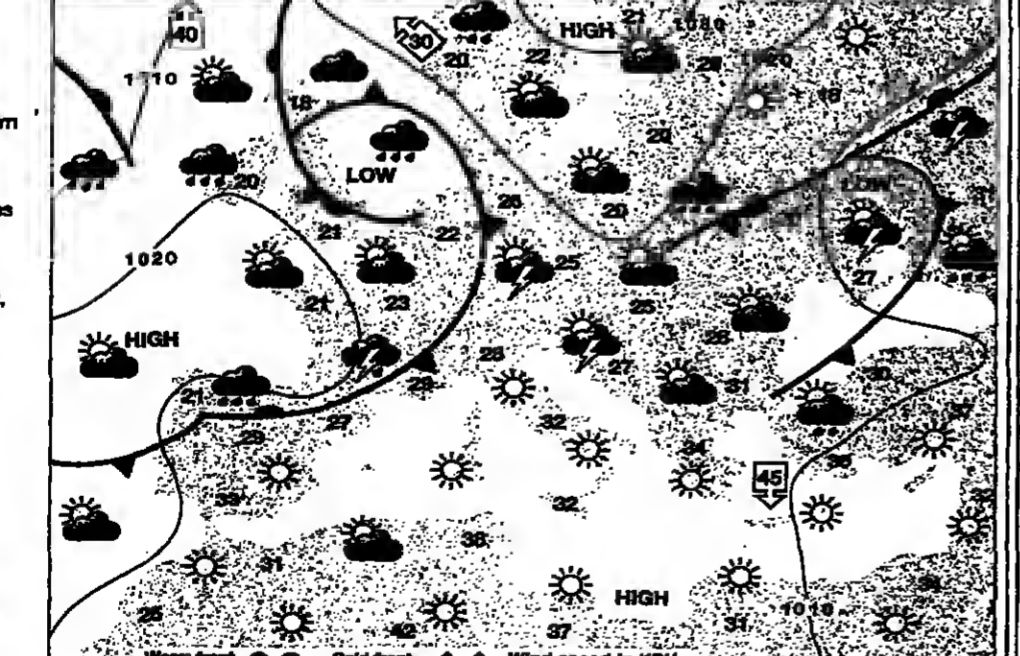


Table with 2 columns: City, Temperature (Max/Min)

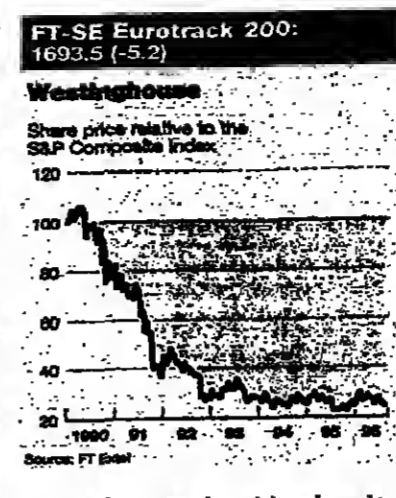
Table with 4 columns: City, Weather, Temperature (Max/Min)

Lufthansa logo and text: More and more experienced travellers make us their first choice.

THE LEX COLUMN

Westinghouse woes

Westinghouse sees 1996 as a transition year, in which it digests its strategic switch from defence into broadcasting and radio. But it is a metamorphosis that has failed to catch the imagination. Tryna, the newly acquired media businesses are performing far more strongly than its old core, although this is not difficult when the power systems division continues to churn out substantial losses. But with Mr Michael Jordan, the chairman, predicting a tough third quarter for the CBS television network, media is not revealing itself as the holy grail investors were promised. And the collapse in share prices at Disney and Viacom this year has already raised questions over the desirability of Westinghouse's push towards being a media conglomerate.



There is, of course, no great magic in Barclays' strategy. The bank proudly proclaims a new attitude - that "credit risk inherent in lending must be recognised and priced for when the initial lending decision is taken" - but this hardly amounts to a binding revelation. Nonetheless, however basic a virtue it may seem, investors have every reason to be grateful for Barclays' keenness to avoid splurging capital on silly risks. And the resulting increasingly generous handouts - both strong dividend growth and ample buy-backs - are turning the stock into an outstanding cash-machine for shareholders. Boring it may be, but there are worse sins for a bank.

This must be immensely frustrating for Mr Jordan. He was brought in to sort out Westinghouse and has received little thanks for his efforts in share price terms. Yet the CBS deal, and expansion of Westinghouse's radio interests, both look well-timed. Indeed, the media strategy is already showing some signs of working; growth in radio revenues outstripped the US average, while margins are strengthening. If Mr Jordan can demonstrate similar operational improvements at CBS, he should rapidly win over the sceptics. But in the meantime, the performance of the struggling industrial division looks enough to discourage any re-rating.

For asthma and schizophrenia. But while Zeneca's operational performance continues to be excellent, its strategic position looks less secure. The group has been reluctant to do deals, especially with biotechnology companies. As a result there is nothing in development to refresh its maturing cardiovascular franchise - still the biggest earner. A more aggressive in-licensing programme is seeking to correct this. But Zeneca recently failed to get Warner-Lambert's new cholesterol-lowering drug, which went to Pfizer. It needs more wins if its management wants to continue on its independent path.

Christian Salvesen

Having rejected the bid approach from fellow logistics group Hays, the directors of Christian Salvesen now have to deliver some shareholder value of their own.

The omens are not promising. The strategic options cited by Salvesen yesterday - including asset sales, demergers and special dividends - look like they have been lifted from a corporate finance textbook. According to Mr Chris Masters, the chief executive, they have all been under consideration for some time - a time during which Salvesen's share price performed miserably but nothing much in the way of value creation materialised. In truth, it is difficult to see what Salvesen can do to close the gap between its current 304p share price and Hays' 390p offer. A special dividend might be a welcome sop to institutional shareholders but would sit slightly oddly with the group's ostensible tag as a growth business. Salvesen's only potential hidden jewel is Aggreko, the power hire business, which apart from one blip has shown it can grow at 15 per cent to 20 per cent a year. But selling Aggreko is apparently impossible because of hefty capital gains tax charges, while floating it would be difficult since there are few easy comparatives.

Given the poor record and Salvesen's unwillingness to entertain a bid that valued it at a 40 per cent price-earnings premium to the market average, the suspicion must be that the group is being run for the benefit of the Salvesen family rather than all its shareholders. The omens are now on the group's directors to disprove that - and they do not have much time.

Zeneca

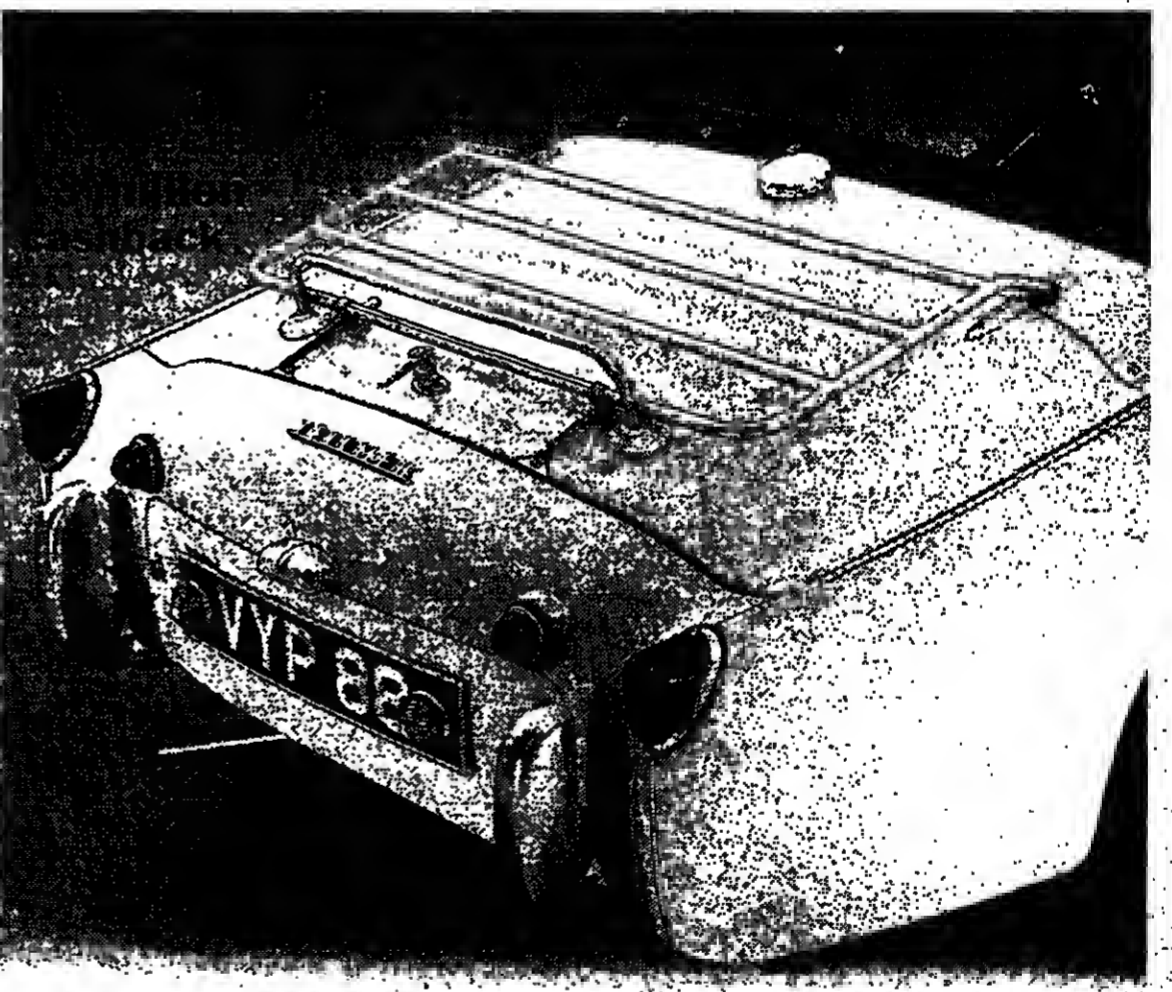
For a company that claims not to be worried by bid speculation, Zeneca went out of its way yesterday to paint a promising independent future for itself. In the next five years it aims to become the world's premier anti-cancer company, reinforce its number two position in agrochemicals and increase its earnings per share by 15 per cent a year.

In the short term, these goals look realistic. The company would hardly have published such an ambitious earnings target if it did not feel it could meet it and beat it. Pharmaceutical sales are growing at 15 per cent a year and accelerating. While launch costs have temporarily depressed margins in the drugs division, agrochemicals are taking up the slack. Three new cancer treatments should help Zeneca catch up with Bristol Myers Squibb, the current leader in oncology. And the group also has novel medicines

Barclays

Banks are highly geared beasts: when their earnings are good they are very, very good; when they are bad they are horrid. But finally, this effect is working in Barclays' favour. Increase operating income by an unremarkable 6 per cent; cut costs by 2 per cent - and hey presto! Operating profit before provisions bounces up by a fat 25 per cent. Of course, such perky profits growth is exceptional: a good chunk of it reflects a one-off turnaround in a clutch of "businesses in transition" in Europe and the US. Moreover, earnings are bound to be buoyant when provisions are, as now, unusually low.

Still, yesterday's interim results were very solid: to have kept costs flat, and interest margins in the UK actually growing, were notable achievements. The spurt in Barclays' share price this year, reversing part of last year's under-performance against the banking sector, looks comfortably justified.



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Brother and Westinghouse advertisements on the right edge of the page.

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Wednesday August 7 1996

IN BRIEF

Westinghouse warns on quarter

Westinghouse Electric, the US industrial conglomerate in the throes of transforming itself into a media company, reported a second-quarter operating profit of just \$27m. It also warned of worse to come for the third three months of the year. Page 18; Lex, Page 10

Wienerberger fall ends 8-year run

Wienerberger, the rapidly growing Austrian building materials company that claims to be the world's biggest brickmaker, has suffered its first profits setback in five years. Pre-tax profits in the first six months of 1996 fell 17 per cent to \$556m (\$53.3m). Page 12

Recovery reaches Swedish property

A year or two ago, few investors dared go near Swedish property companies. A tenth of Sweden's private property owners went bankrupt between 1991 and 1994 amid a large property loan crisis. But a tentative recovery is under way. Page 12

Newcrest liquidates hedging contracts

Newcrest Mining, the Australian gold mining group which this year tried unsuccessfully to merge with Normandy Mining, said it had liquidated the bulk of its gold-hedging position for a pre-tax profit of \$427m (US\$209m). Page 13

Giordano plans Beijing store chain

Giordano International, Hong Kong-based fashion retailer, plans a chain of stores in Beijing - two years after problems in China resulted in the closure of 30 outlets there. Page 13

Salvesen rejects rival's £1.18bn offer

Directors of Christian Salvesen are to consider options ranging from disposals to a demerger after rejecting a revised £1.18bn (\$1.84bn) takeover approach from rival UK distribution group Hays. Page 14; Lex, Page 10

Cordiant returns to the black

Cordiant, the advertising group, beat expectations when it turned 1995 first-half losses of \$29.6m into pre-tax profits of \$15.5m (\$24.2m) this year. But it warned the second half would be weaker. Page 14

Zeneca rises 21% to top of forecasts

Zeneca, the UK's third largest drugs company, published results for the first half of 1996 at the top of analysts' forecasts but warned that profit margins were being hurt by heavy spending on new product launches. Pre-tax profits were 21 per cent up at \$510m (\$362m). Page 14; Lex, Page 10

Newfoundland agrees oil project

Newfoundland has reached agreement with a consortium led by Calgary-based Petro-Canada on arrangements for developing Canada's second offshore oilfield - Terra Nova - which is due to come on stream in 2001. Page 18

Companies in this issue table with columns for company name and page number.

Barclays in £470m share buy-back

Barclays, the UK bank, swooped on the stock market yesterday for the third time in a year, paying £470m (\$728m) to buy back 55m of its own shares. The buy-back caps a £450m share repurchase last week by National Westminster Bank, Barclays' arch-rival in the UK banking market, and followed the announcement yesterday of a 15 per cent increase in pre-tax profits to £1.3bn.

banks was not just to return cash to shareholders, but to make sure the bank treated its capital as a precious commodity not to be squandered on foolish acquisitions or risky loans. 'They force choices. They stop us doing marginal low return business - and there is plenty around if you want to do it.'

return on its shareholders' equity of 24.6 per cent. Operating profit before provisions improved by 15 per cent to £1.37bn in the first half. Most of the operating profits came from its UK personal and small business banking operations, but Mr Taylor said BZW, Barclays' investment banking subsidiary, remained an integral part of the group. 'I can't think why people still imagine that we want to demerge BZW,' he said. Lex, Page 10

BP lifts dividend 18% after record first six months

British Petroleum, the UK oil group, yesterday announced an 18 per cent dividend rise after reporting record first-half, pre-exceptional profits of £1.23bn (\$2bn), a 23 per cent increase over the first half of 1995.



Joe Henderson, whose reed maker, Rico, was acquired yesterday by Boosey & Hawkes of the UK for £17.5m (\$27.5m) lines up alongside Bill Clinton Report, Page 14

GM plans mid-size Saturn model

General Motors, the biggest US car manufacturer, yesterday announced plans to expand its Saturn car unit in the US by launching a mid-size model to add to the existing range of smaller Saturn vehicles. It will be built at GM's Wilmington plant in Delaware after production of the Chevrolet Malibu ceases in about two years. Until yesterday, the plant had looked likely to close at that point.

BP's decision to raise the second-quarter payout to a record 3p a share came four years after it halved the dividend to 2.1p as part of a boardroom crisis precipitated by a growing debt burden.

Mr John Browne, BP's chief executive, said the new dividend was 'sustainable, and would be good for all seasons' irrespective of volatile external factors such as oil prices and refining margins.

KLM slides in first term

Shares in KLM Royal Dutch Airlines fell more than 8 per cent to F151.30 after the airline reported first-quarter operating profits halved from F164m to F180m (\$90m). It blamed lower fares, a weak cargo market and higher costs for the results for the quarter to June, which were at the bottom end of analysts' forecasts. Mr Piet Bouw, president, told the annual meeting: 'We worry about this.'

Many buyers are young people, and according to GM about seven out of 10 would otherwise have bought imported vehicles. 'This is conquest business for GM,' the company said.

Second-quarter replacement cost profits, which strip out the effects of oil price changes, were also up 23 per cent to \$548m, towards the top of the range of analysts' forecasts.

Sir David Simon, BP's chairman, yesterday confirmed that debt control remained a company priority. The board did not consider a share buy-back in spite of strong cash flows because it wanted to reduce debt levels further.

A \$1bn bond repurchase programme in June helped to cut net debt to \$6.7bn, the lowest level in 10 years. Gearing was about 36 per cent, according to Mr Steve Ahearn, finance director, from 46 per cent last year and a high of 104 per cent in 1992.

A growing confidence in BP's medium-term prospects was behind the dividend decision, said Sir David. Both he and Mr Browne noted that external factors, such as this year's relatively firm oil price, played little part in the strong profits growth, although analysts said that fully 70 per cent of BP's profits were derived from the upstream division, one of the highest exposures of any of the large oil groups.

However, executives were upbeat about being able to maintain volumes and margins even if oil prices tumbled. First-half profits on oil and natural gas was up 5 per cent, with operating profits of £1.48bn up 34 per cent. Output for the full year should rise 3-4 per cent, said Mr Browne, well above BP's 2 per cent target.

Downstream earnings recovered from last year's poor performance as refining margins strengthened. Operating profits for the first half were \$365m, a 40 per cent rise over 1995.

The recovery occurred in spite of the retail petrol price war in the UK which cost BP \$48m in lost revenues in the first half. However, BP executives found something to cheer about even in that disappointing number, and noted that margins were creeping back towards breakeven.

The margins in BP's chemicals businesses fell back sharply from the 'unsustainable' levels seen last year. First-half profits fell from \$502 last time to \$242m, with the deterioration continuing into the second quarter, when profits fell to \$144m from \$128m in the first three months of the year.

The outlook for the rest of the year was 'broadly neutral, with the 'one big wild-card' being the cost of feedstock.

stake in the carrier, with 19 per cent of voting rights. It has quarrelled with Northwest since November over the US airline's moves to prevent KLM from gaining control.

Mr Bouw said: 'This preferred stock was always intended by KLM as purely a financial investment, since no voting or other corporate governance rights were attached.'

KLM will book a further profit of F115m in the second quarter from the sale of 2.963 B preference shares to Northwest and a revaluation of its remaining holding in this category.

The airline forecast that its operating profit for the rest of the year would be 'slightly below' the same period of the year before. But net profit would be 'in the same order of magnitude' as last year.

Operating revenues rose 6 per cent to F12.45bn, and earnings per share doubled to F12.94 (F11.46). Operating costs rose 11 per cent to F12.37bn. Cargo traffic grew just 2 per cent while capacity rose 8 per cent, reducing yields. Passenger traffic grew 10 per cent, but fares fell 3 per cent.

'We expect fares to stay under pressure. That's a problem with the market,' the airline said. Mr Bouw blamed the rise of 'low-cost, no-frills carriers' for this. But unit costs rose 4 per cent in the first quarter. Mr Bouw said the airline's investment plans could cause further increases this year.

KLM aims to reduce expenses by at least F1300m over the next two years. However, Mr Guy Kekwick, analyst at Lehman Brothers, said big cuts could be hard to achieve as KLM was already a low-cost carrier.

GM hopes the larger model will prevent existing customers from switching to other makes when they start trading up to larger vehicles. As with the smaller Saturns, it believes many purchases will be by people who would otherwise have bought imports.

The new Saturn will use a 2.2-litre dual overhead camshaft engine produced at the GM Powertrain division's engine plant in Tonawanda, New York. It will share some design features with the Opel Vectra car made in Europe by GM's Adam Opel division.

Saturn said the design had been seen by hundreds of Saturn owners and had been well received. It declined to cite a price range for the new vehicle for competitive reasons.

Barry Riley

UK pension funds stand by their principles



Originally, it was the prospect of a minimum solvency standard, as proposed by the Goode Committee, that caused British pension funds to fret about the implications for investment of last year's Pensions Act. But that danger faded with the downgrading of the standard, under actual pressure, to a so-called Minimum Funding Requirement.

A new investment challenge, however, has sneaked up more or less on the inside. It is the Statement of Investment Principles, a document which must be drawn up by the trustees under Section 35 of the Act and reviewed every year. These statements must be ready by April next year.

A recent survey of 20 or so pension funds - average size more than £2bn - by consultants Frank Russell showed three-quarters believed the SIP would have more impact than the MFR on the way UK pension schemes are invested.

Most respondents accepted trustees would feel obliged to take the strategic asset allocation decision themselves.

However, a third of the pension fund executives thought optimistically that the statement of principles could be a single page.

Nearly all believed four pages or less would be enough. Frank Russell thinks that there is a lack of realism here, probably due to the fact that many SIPs are not yet even at the first stage of drafting. But then, did a consultant ever recommend a short and simple document when a long and complicated one would do?

The original scare over minimum solvency reflected concern that many pension funds would awitch money into bonds, adding substantially to the likely cost of providing benefits in the long run.

Although the MFR remains quite tough on mature schemes - most UK plans are quite mature, with an average 55 per cent of liabilities related to pensions in payment and deferred pensions - the impact has been hunted by concessions in the final regulations laid before Parliament. For instance, it will be possible for troubled funds to negotiate with the pensions regulator Opra on an individual basis for time extensions. Moreover, the doomsday threat of widespread MFR breaches at the time of a 1974-style stock market disaster has been lifted because Opra will be able to give blanket approval for compliance extensions in such exceptional circumstances, thus in effect letting everybody off the hook until the good times are back.

Trustees may have some delicate decisions about the employer's creditworthiness

For troubled funds to negotiate with the pensions regulator Opra on an individual basis for time extensions. Moreover, the doomsday threat of widespread MFR breaches at the time of a 1974-style stock market disaster has been lifted because Opra will be able to give blanket approval for compliance extensions in such exceptional circumstances, thus in effect letting everybody off the hook until the good times are back.

All the same, compliance with the MFR will be an important subject to be dealt with in the Statement of Investment Principles. The trustees will have to make some delicate decisions about the creditworthiness of the employer; the MFR is only a problem if the plan sponsor is unable or unwilling to pay up and plug the deficiency at the critical moment.

The central question, though, is whether British pension funds will finally be forced to face up squarely to the maturity issue. Asset allocation still almost always relates more to the median peer group strategy than to the specific liability structure of an individual scheme.

In the past, trustees have rarely felt qualified to take their own decisions. Now they must take final responsibility, although after advice from investment professionals. They must consult the employer but the decision is theirs.

Kmart Corporation advertisement including logos for Kmart, Tesco PLC, and various international branches like Kmart CR and Kmart SR.

Vertical advertisements on the left margin including SHEERFRAME, WOODS, and BASE PLAN.

COMPANIES AND FINANCE: EUROPE / AFRICA

Details of CIC sale released

By Andrew Jack in Paris

The purchaser of CIC, the French bank being privatised, will be forced to respect non-life as well as life assurance agreements signed with its parent GAN, the state-controlled insurer, according to terms of the sale released yesterday.

between GAN and CIC for the sale of non-life insurance - in line with a trend of similar "bancassurance" alliances between banks and insurers in France - must also be respected.

Strategy pays off for Securum 'Bad bank' leads recovery in Stockholm's property market

A year or two ago, few investors dared touch Swedish property companies. Many vowed never to return after the events of the early 1990s, when a property loan-loss crisis precipitated the near-collapse of the country's banking system.

"Most people thought it would take at least 10 years for the depression in the industry to lift, but it has recovered far quicker," says Ms Christina Gustafsson, real estate economist at the Swedish Federation for Rental Property Owners.

estate group inherited by Securum. The deal, valued at around SKr2bn, represents the first significant foreign incursion into the domestic property sector since the crisis.

NEWS DIGEST

Losses widen for Austrian carriers

Austrian Airlines (AUA) and Lunda Air, the two largest Austrian carriers, yesterday reported heavy losses for their first half, but both predicted an improvement in the rest of the year.

Wolters Kluwer upbeat

Wolters Kluwer, the Dutch legal, tax and business publisher, beat market forecasts with a 1 per cent rise in net profits to F120m (\$19.37m) for the first half of 1996 from F120m a year earlier.

Turnover slips at AGF

Assurances Générales de France, the recently privatised insurer, yesterday reported turnover down 17.5 per cent to FFr23.6bn (\$6.67bn) for the six months to June 30.

Saint-Gobain sales advance

Saint-Gobain, the French glass, ceramics and insulation group, said sales totalled FFr40bn (\$7.94bn) in the first half of the year, up 14.4 per cent compared with the same period in 1995.

AECI disappointed

AECI, the South African chemicals group, said it expected a better second half after reporting disappointing first-half earnings of 79 cents a share in the six months to June, down from 94 cents a year ago.

Long winter hits Wienerberger

By William Hall in Zurich

Wienerberger, the rapidly growing Austrian building materials company that claims to be the world's biggest brickmaker, has suffered its first profits setback in five years.

Europe lasted more than a month longer than it did last year. This, combined with a general weakening of the construction industry in western Europe, led to a sharp downturn in the profitability of Wienerberger's core brick businesses.

not expect the economic climate to improve in the second half of 1996. However, it expects full-year sales to rise by some 15 per cent to Sch15bn and remains confident that it can meet its earnings target of Sch1.4bn.

TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS For tender on 13 August 1996

Zeneca: the half year record Half year business highlights Strong marketing drives sales growth of 16%

U.S. \$250,000,000 Crédit Lyonnais Subordinated Floating Rate Notes Due August 1997

NOTICE TO THE HOLDERS OF Cellular Communications, Inc. Zero Coupon Convertible Subordinated Notes Due 1999

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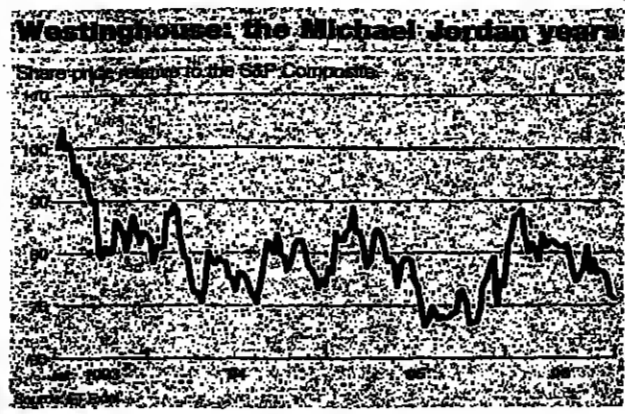
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COMPANIES AND FINANCE: THE AMERICAS/ASIA-PACIFIC

Westinghouse warns of further profit weakness

By Richard Waterman New York Westinghouse Electric, the US industrial conglomerate in the throes of transforming into a media company...

this year, fell another 3% yesterday morning, to 166%. Profits in the third quarter will be down because of what the company termed "weakness at the CBS network"...



Westinghouse's Michael Jordan year's share price collapse is the CBS Company's. The graph shows a significant downward trend in share price over a 12-month period.



Michael Jordan: worse to come in third quarter

Westinghouse said combined sales from the network and broadcasting operations rose 3 per cent from a year before, to \$1.1bn, while cash flow rose 8 per cent. Westinghouse's industrial operations, meanwhile, suffered a 60 per cent fall in operating earnings...

NEWS DIGEST

Moore abandons bid for Wallace

Moore Corporation, the Toronto-based information handling group, has abandoned its year-long pursuit of Wallace Computer Services of Chicago. Moore's failure to push through its US\$1.4bn bid is likely to be remembered as an example of a takeover target's ability to employ a "just-do-nothing" defence against an unwelcome predator.

Crosby Financial capital plans

Crosby Financial Holdings, the Asian merchant bank group, plans to increase its capital base and reshuffle management, following a series of departures at its stockbroking arm. The group is to raise its capital base more than four-fold, from US\$46m to US\$200m...

ASX listing for Hoyts

Hoyts Cinemas, the Australian-based cinema operator in which Hallman & Friedman, the US investment firm, has a large stake, is to raise AS\$100m of new capital and list on the Australian Stock Exchange. The new shares will represent about 22.5 per cent of Hoyts' market capital and will be issued at AS2 each.

Pacific Dunlop downgrade

Moody's, the US rating agency, has downgraded the long-term debt rating of Pacific Dunlop, the Australian conglomerate, from A1 to A2. It said the decision reflected "significant deterioration in Pacific Dunlop's recent operating results" and a belief that "performance is unlikely to improve materially in the near-term".

Renison wins Cudgen control

Renison Gold Fields, the Australian mining group in which the UK's Hanson has a 40 per cent interest, has won control of Cudgen, the listed group whose main asset is a controlling stake in Consolidated Rutile, one of the world's largest producers of mineral sands.

YPF, Petrobrás agree project

YPF, Argentina's privatised oil and gas company, and Petrobrás, Brazil's state-owned hydrocarbons monopoly, have signed a letter of intent to build a \$490m gas-separation plant in the southern Argentine province of Neuquén. The agreement is by far the biggest under a strategic alliance between the groups.

Giordano plans to set up chain of stores in Beijing

By Louise Lucas in Hong Kong Giordano International, the Hong Kong-based Asian fashion retailer, plans to set up a chain of stores in Beijing - two years after problems in China resulted in the closure of 30 outlets there.

The Chinese authorities closed Giordano's outlets in Beijing in August 1994, shortly after Mr Jimmy Lai, the company's founder and then-chairman, made a virtual attack on premier Li Peng in his mass circulation Next magazine. Mr Lai subsequently stepped down and sold most of his shares in the company.

Giordano has been talking to two parties - one of which is understood to be China's Ministry of Agriculture - but is also considering going it alone. Mr Jimmy Chan, Giordano executive director, expects the new Beijing retail venture to be in operation this year.

The group yesterday disappointed the market by announcing static first-half net profits of HK\$110.06m (US\$14.2m), compared with HK\$109.2m in the first six months of last year. The weak interim results were blamed on "unprecedented" difficult conditions in several important markets.

In Taiwan, where the strained relationship with China hit sentiment, retail sales dropped 18.8 per cent compared with the same period last year, to HK\$473.6m. However, in China, where the 11 franchised stores have been closed since March, retail sales for the first six months stood at HK\$271.5m, an increase of 28.4 per cent over the year-ago figure.

In 1995, Taiwan accounted for 30.5 per cent of turnover and China, 15.2 per cent. Operating profit fell 6.4 per cent from HK\$131.87m to HK\$123.4m as margins contracted, and earnings per share dropped 9.7 per cent from 17.22 cents to 15.54 cents.

The interim dividend is to be held at 4.5 cents. The group claims to have learned lessons in the first half, and expects the second six months to be "much better".

Newcrest liquidates hedging contracts

By Nikki Tait in Sydney Newcrest Mining, the Australian gold mining group which tried unsuccessfully to merge with Normandy Mining earlier this year, said yesterday it had liquidated the bulk of its gold-hedging position for a pre-tax profit of A\$270m (US\$209m).

The company said the liquidation involved contracts covering 2m ounces of gold. Contracts over 465,000 ounces in the 1996-97 financial year will be retained, as will contracts for a further 240,000 ounces for the period from 1998-99 to 2002-03.

The company conceded the profit realised would be offset in part by lower returns in the future. "Realisation of these hedging gains means that future years' income and cash flow are unlikely to realise the relatively high prices for gold that were contained in the hedging position," it said. But Newcrest added that earnings after 1997 should benefit from new, lower-cost gold output from its planned

Cadia mine in New South Wales, and the Goswong project in Indonesia. Newcrest's finances have been under pressure ever since the company's ill-fated involvement with Normandy earlier this year. Normandy, a larger Australian mining group, was in the process of merging with three companies in which it already held stakes. Newcrest snapped up a 14.9 per cent stake in Normandy, and 12.5 per cent of PosGold, one of the companies involved, and tried to join the merger

only to be rebuffed. These stakes cost Newcrest around A\$450m - a large outlay for a company whose pre-tax profit in the first nine months of 1996-97 was A\$29.5m. Since the Normandy talks foundered, Newcrest has consistently shown a large loss on these holdings, although it said yesterday the deficit had fallen to less than A\$50m. Asked if the liquidation would have been carried out if the Normandy problem had not occurred, Mr Gary Scanlan, Newcrest's finance

Smart plans Manila listing in final quarter

By Edward Luce in Manila Smart Communications, the Philippines' second largest telecoms company, yesterday said it would list on the Philippine Stock Exchange in the final quarter of 1996, in what would probably be the largest initial public offering in Manila this year. The announcement - which follows plans by Digital, owned by Cable & Wireless of the UK and a local partner, to list on the PSE, also in the final quarter - has been taken as further evidence of the increasing

competitiveness of the recently liberalised Philippines telecoms market. Globe Telecom (a joint venture between Ayala Land, a local real estate group, and Singapore Telecom) and Pitel (a cellular operator part-owned by the Philippine Long Distance Telephone Company) have already listed on the PSE. Smart's IPO, which is expected to raise between US\$400m and US\$600m, will be lead-managed by Merrill Lynch and Jardine Fleming. Smart, which has a book value of US\$2bn, posted an

operating profit of just over 100m pesos (US\$4m) in 1995, its second year of operations. "Clearly the majority of telecoms companies are going to list over the next two years, with Smart the biggest so far," said Mr Alex Pamento, chief research at ING Barings in Manila. "The cash will be raised for Smart's high capital expenditure requirements." In exchange for its international gateway and mobile phone operating licence, Smart - a joint venture between Metro Pacific, the local arm of Hong Kong-

based First Pacific, and NTT of Japan - is required by the government to install 700,000 fixed landlines in the Philippines. The company, which has not yet specified an offer price, is the second largest cellular operator in the Philippines, after Pitel, and expects to have 250,000 subscribers by the end of the year. Smart is allowed to compete with PLDT on fixed lines in its licensed area, in the south of Manila. This includes the 214 ha Fort Bonifacio site, partly owned by

Smart's parent company, Metro Pacific, which is being developed as a "21st century" competitor to Manila's business district. The Bonifacio Land Corporation, jointly owned by the government and the 17-member private-sector consortium led by Metro Pacific, says it is studying the possibility of listing on the PSE in 1997. Proceeds from the offering, which analysts say would come to a minimum of US\$600m, would go towards the venture's high capital costs over the 25-year development period.

Indonesian cement group lifted by surge in demand

By Manuela Saragosa in Jakarta Net profit at Semen Gresik, the state-controlled Indonesian cement producer, more than doubled in the first six months of this year after an unexpected surge in demand. The company posted a net profit of Rp115.63bn (\$49m) in the first six months of 1996, against Rp47.06bn in the same period last year. First-half sales totalled Rp681.7bn, compared with Rp245bn in the first six months of 1995.

Analysts said strong demand for cement in the second quarter allowed the company to increase its average selling price by 9 per cent. Sales volume in the second quarter was up 8 per cent on the first quarter. Cement demand in this period is usually sluggish, as construction slows during the rainy season. Most of the demand is believed to have come from the island of Sumatra, where Semen Padang, a company which

Semen Gresik acquired last October, is believed to have captured new market share. Analysts at HG Asia in Jakarta noted that the company was able to introduce a price increase of just over 1 per cent in the first quarter and increase sales volume by 8 per cent, even though total cement consumption in Indonesia in that period shrank 2.2 per cent. At Jardine Fleming Nusantara in Jakarta, analysts said the market tended to underestimate growth in cement demand and overestimate new supply. Demand forecasts for 1997 are generally sluggish because the government is expected to keep a tight rein on spending. However, some analysts note that the government traditionally eases monetary policy ahead of general elections - scheduled for early next year - and that this may boost cement demand.

The Indonesian government expects to separate Mervati Nusantara Airlines from its parent flag carrier Garuda Indonesia before the end of this year - a move which should pave the way for Garuda's privatisation. A separation of the two companies has been delayed repeatedly since 1993 because of differences in the assets of the airlines. The two airlines are reported to have claimed millions of dollars in credits against each other, and many of these claims overlapped. Mr Haryanto Dhanutirto, the Indonesian minister of transport, was quoted in the English-language Jakarta Post newspaper as saying that documents to proceed with the separation of the two companies have been submitted to the state secretary and are waiting for President Suharto's approval. Earlier this year Garuda said the national airline would be privatised in 1998 after it had restructured its finances. The Indonesia government has agreed to take on debts for Garuda's acquisition of nine Boeing aircraft.

Safety Net for commerce closer

Microsoft-VeriFone deal should simplify electronic retailing

Making the Internet safe for commercial transactions has come closer to reality with an agreement between Microsoft and VeriFone, a leading electronic payment system company, in which VeriFone software will be used in Microsoft's Internet commerce software. The deal, announced this week, should make it simpler for retailers to take orders from customers electronically while avoiding the security problems of sending credit card information over the Internet, where it could be intercepted. Microsoft said it would include VeriFone's virtual point of sale (vPOS) software in its Microsoft Merchant System, which will be available by the end of this year. In addition to Microsoft, VeriFone has support for vPOS from other leading software companies, including Oracle and Netscape

Communications, the developer of the popular Netscape Navigator Web browser. Microsoft's adoption of VeriFone's technology is seen as an important factor in helping to establish a single industry standard and in convincing retailers, banks and consumers that Internet commerce is a secure and reliable way to do business. "The Microsoft-VeriFone deal is an important step forward for Internet commerce," says Ms Phoebe Simpson, an analyst at Jupiter Communications, a US market research group. "Microsoft is a trusted name among merchants and VeriFone has good relations with merchants and banks." VeriFone's electronic credit-card readers are used by more than 5m retailers worldwide, and it views Internet commerce as a natural extension of its business. Its vPOS software protects credit-card information

sent over the Internet through a combination of encryption and customer verification technology based on the secure electronic transaction (SET) standard. But for VeriFone to succeed, Ms Simpson points out that banks must purchase the vGATE software from VeriFone to enable them to handle credit card transactions made over the Internet. In most cases, vGATE has to be tailored to the different computer systems used by banks. This represents a large investment by banks in the purchase of vGATE and in making it work with their computers. VeriFone believes that banks will buy the software because it will allow them to compete for retailers' business by offering Internet commerce services. San Francisco-based Wells Fargo Bank said it would be the first bank to install vGATE.

The Microsoft Merchant System is another important element in helping retailers sell over the Internet. It endeavours to simplify the complex task of setting up what Microsoft calls an "Internet storefront". "So far, most retailers have been using the Internet as an electronic sales brochure, and few have taken the next step to online retailing," Mr Jeff Theil, business development manager at Microsoft, says. Microsoft Merchant System is being tested by 175 retailers, and the price of the package will be announced later this year. However, even with the promised support of important companies such as Microsoft, VeriFone, and the big banks, retailers still face the challenge of determining the best way to sell their goods over the Internet.

Tom Foremski

Zeneca: the half year results. Half year financial highlights (for the six months ended 30 June 1996). Table with columns for 1995, 1996, Change. Rows include Sales, Research and Development, Operating Profit, Pre-tax Profit, Earnings per Ordinary Share, Dividend per Ordinary Share, Return on Sales, Gearing. Sir David Barnes, Chief Executive of Zeneca, said: 'The Group has had an excellent first half year. Strong sales volume growth has underpinned profits growth of 21%. The growth has come from both the launch of new products and improved market performance of many of our more established products. New product launches across the Group will continue into 1997.'

COMPANIES AND FINANCE: UK

Salvesen rejects improved Hays bid

By Ross Tieman
Directors of Christian Salvesen are to consider options ranging from disposal to a break-up after rejecting a revised £1.18bn (£1.94bn) takeover approach from rival distribution group Hays.

ing of Salvesen's board or family shareholders. Instead, Hays would concentrate on organic growth and other acquisition opportunities. Rejection of Hays' revised terms, worth 39p a share, plus a 10p special dividend, places a duty upon Salvesen directors to break the company's three year record of under-performance, institutional investors said.

than was implied in the Hays offer," said one. At a board meeting yesterday, Salvesen directors unanimously opposed Hays' proposed terms of 17 new Hays shares plus £20.40 in cash for every 24 Salvesen shares.

tribution in continental Europe would have provided a springboard for the development of a European leader in specialised road haulage. But Mr Masters said Hays had failed to grasp the potential of Salvesen's electricity generator hire business, which accounts for almost half of group profits.

substantially refocused over the past six years. "We believe we are now well placed to deliver profitable growth," said Mr Masters. "We will, with our financial advisers, be reviewing all the ways in which one can deliver shareholder value."

Boosey puts an end to Rico solo

By David Blackwell

When Jack Kerouac was tearing around America in search of jazz excitement in the 1950s, the chances are the virtuoso saxophone solos that helped inspire him to write On The Road were played on Rico reeds.

California-based Rico International was founded in 1956 and supplied reeds throughout the golden age of jazz and the best generation. Yesterday, it ended its days as a family owned company when Boosey & Hawkes, the musical instrument maker and publisher, agreed to acquire it for £17.9m (\$27.9m) cash.

Rico makes 26m reeds a year for saxophones and clarinets, supplying 70 per cent of the North American market and 50 per cent of the world market. The reeds are made from grass called Arundo Donax, which Rico grows in France, Argentina and California.

Jazz greats such as Charlie Parker used Rico reeds, and today the group numbers Sonny Rollins, David Sandborn and Kenny G among its customers. Mr Richard Holland, chief executive of Boosey & Hawkes, yesterday said the deal "catapults us into the music accessories market".

Hanson demerger details imminent

By Ross Tieman

Hanson is set to announce listing particulars for the demerger of its chemicals and tobacco businesses before the end of the month, having secured new banking facilities totalling £4.5bn (£7.02bn).

Details of the first demerger in the group's four-way split could be unveiled as early as the week beginning August 18. Particulars for Imperial Tobacco Group and Form 10 registration with the SEC for Millennium Chemicals, which will be listed in New York, are now expected within two weeks of Hanson's third quarter results on August 15.

Cordiant back in the black

By Jane Martinson

Cordiant, the advertising group which includes Saatchi & Saatchi, beat market expectations yesterday when it turned first-half losses of £29.9m into pre-tax profit of £15.5m (\$24.2m). However, the group, which suffered an exodus of clients after the acrimonious removal last year of Mr Maurice Saatchi, warned that second-half revenue growth would not be as strong as the first half, leaving the full-year outcome flat. The shares eased 1p to 108p.

In spite of this, it is understood that the role of Mr John Fitzgerald, who was appointed chief operating officer of Saatchi's US office in January, is being re-evaluated after differences in management style. Mr Fitzgerald was brought in from McCann Erickson, another agency, to help turn the agency round. Cordiant refused to comment on the matter yesterday.



Bob Seelert: strongest growth came from the US

Zeneca at top of City forecasts

By Daniel Green

Zeneca, the UK's third largest drugs company, published results for the first half of 1996 at the top of analysts' forecasts yesterday but warned that profit margins were being hurt by heavy spending on new product launches.

Sales rose 16 per cent to £2.9bn, helped by exchange rate movements worth two percentage points. Mr John Mayo, finance director, said the underlying growth of 15 per cent was "in line" with the company's target compound growth rate for the next five years.

Pharmaceutical sales grew 20 per cent to £1.2bn. Operating profits rose 12 per cent, including five percent-

age points of currency movements, to £383m. Zeneca's newest division, Salick Healthcare, an operator of cancer clinics in the US, made a contribution to operating profits of £4m.

Rowland renews Lonrho tirade as deal approved

By Ross Tieman

Lonrho, the trading conglomerate, is today expected to complete the \$380m repurchase of a one-third stake in its Metropole hotel business held by the Libyan Arab Foreign Investment Company. Shareholders approved the deal yesterday on a show of hands at an extraordinary meeting in London attended by just 47 investors.

for Lonrho shareholders?" he asked. Mr Knight said borrowing to fund the repurchase would lift Lonrho's indebtedness to \$300m. "I am very glad you are buying it back, but I wish to know you didn't have to pay so much for it."

Mr Rowland's spokesman, Mr Matthew Knight, of Knights solicitors, who attended the meeting on his behalf, sought unsuccessfully to elicit details of the flotation of the hotels that is expected to follow the buy-in.

Table with columns: Company Name, Turnover (£m), Pre-tax profit (£m), EPS (p), Current payment (p), Date of payment, Dividend (p), Total for year, Total last year. Includes rows for Appliedrent, Barclays, Baxano, BP, Card Shipping, Cordiant, Miflow, Miflow/Coastline, Oxford Molecular, Williams Test, Yorkshire Chemicals, Zeneca, Investment Trusts, and DU Environmental.

NEWS DIGEST Shareholders attack Kepit

Private investors yesterday launched an angry attack on directors of Kleinwort European Privatisation Investment Trust, accusing them of lacklustre performance.

Speaking at an extraordinary meeting of the fund, one investor, Mr Stephen DeSouza, said he believed he was a more talented investor than the trust's board. "I am only a pensioner, but I have been able to manage my investments better than these people who are paid huge salaries to do it," he said.

Yorkshire Chemicals ahead
Yorkshire Chemicals yesterday reported a strong first half rebound but warned of a potential price war in Europe. Pre-tax profits rose 16 per cent to \$6.85m (\$10.68m) in the six months to June 30, on turnover ahead 7 per cent to \$67.7m. The shares rose 27p to 278p.

Sainsbury expands in US
J Sainsbury, the UK supermarket group, yesterday expanded its presence in the US by spending \$62m to lift its stake in Giant Food, an east coast supermarket group, to nearly 20 per cent.

Oxford Molecular cuts deficit
Oxford Molecular, which makes software for the pharmaceuticals industry, yesterday reported sharply reduced first half losses. The company, which is sometimes regarded by analysts as a biotechnology company, said it had made "significant progress" towards "sustainable profitability".

Friedland to link interests
Mr Robert Friedland, the mining dealmaker, is taking steps to link Bakyrchik Gold, the London-listed company which he helped to rescue in October, with Indochina Goldfields, a company he launched on the Toronto Stock Exchange in June. He said three Indonesian associates are - if shareholders agree - to exchange their Bakyrchik shares and options for shares in Indochina in a transaction worth about \$12m.

Advertisement for Türkiye İş Bankası A.Ş. featuring the text 'US\$300,000,000 Pre Export Finance Facility' and listing various Arrangers, Co-Arrangers, Lead Managers, and Participants.

Large vertical advertisement on the right side of the page, partially cut off, featuring the logo for Banco Internacional S.M. and other text.

صكنا من الامل

BUSINESS AND THE ENVIRONMENT

Despite high hopes for recycling plastics, several hurdles are slowing progress, says Jenny Luesby

An unwieldy beast

If ever an industry should have taken off in the 1990s, it is plastics recycling.

Adored by environmentalists and policymakers alike, it has been discussed, promoted and now legislated for.

Yet in 1991, when western Europe generated 14.6m tonnes of plastics waste, just 1.1m tonnes were recycled.

The problem lies in the raw material. Two-thirds of plastics waste ends up in municipal solid waste, as one-part plastic to 11 parts of everything else by weight.

Extracting the plastic is a difficult and messy business, despite increasing emphasis on consumers separating plastics prior to disposal.

Plastic is an umbrella term for a wide variety of materials. It is hard to sort plastics by types, and yet when mixed plastics are recycled together the results are inconsistent and unpredictable.

Efforts to promote more thorough sorting have included a Society of Plastic Industries coding system in the US, which milks numbers from one to seven into plastic containers.

This has been a partial success. But a recent field study by Recycle Worlds Consulting in Wisconsin showed that even where plastics were sorted by code,

unwanted plastics and non-plastics accounted for nearly 20 per cent of the material collected.

This amount of unwanted material could turn profits of \$500 (£320.50) a day at a plant recycling pure plastics into losses of between \$100 and \$700 a day, the group estimates.

One of the most trumpeted recycled plastics is PET, used to make bottles. However, plastic bottles are also made from PVC - and one PVC bottle can render an entire batch of reclaimed PET unusable.

In future, automated sorting may help with this. PVC can be fingerprinted, PET can be separated through flotation, and far larger items, machinery is coming on to the market that can classify plastics by measuring their interaction with light.

In this vein, Southampton University is marketing an infra-red spectrometer, developed with Ford, for identifying car parts.

Similarly, Bruker of Germany has launched a spectroscopy that can classify industrial plastic waste in just four seconds.

However, most of the plastic that finds its way into municipal waste does so as small items. Worse still, these are often made of mixed plastics.

Typical is a cheese wrapper, which might contain up to 14 layers of different plastics, with one designed to keep air out, another provided for strength, and so on.

One solution for unsortable plastics has been the development of uses for recycled mixed plastics. As a non-biodegradable alternative to wood, it has found a small market.

A recent example is the first commercial product to be launched by Scania, a leading French plastics processor, as part of a project to find uses for recycled mixed plastics.

The group has developed stakes for mussel farmers. These

are 25 per cent more expensive than the wooden equivalent, but they are also more than 50 per cent lighter, more flexible, can be used all year round, and last longer.

Similarly, a Norwegian producer has launched a moulded carrier bag for large drink bottles, made from industrial plastics waste, while other plastic recyclers are marketing crates, pallets, seed trays, park benches and even pig pens.

But the market for recycled mixed plastic remains smaller than the amount of available material. Industry experts point to rising stockpiles in Germany, which pioneered plastics recycling in Europe through its Duales System Deutschland. This is despite moves to export some of DSD's plastics waste to Asia.

Meanwhile, the French and Belgian national schemes, Eco-Emballages and Fost Plus have been hampered by the amount of material built up in Germany.

In the UK, the DTI has sought to prevent this outcome by making producers responsible for their own recycling.

Under a shared responsibility agreement unveiled in June, 11,500 businesses that generate more than 50 tonnes a year of packaging waste will be responsible for recovering half their packaging.

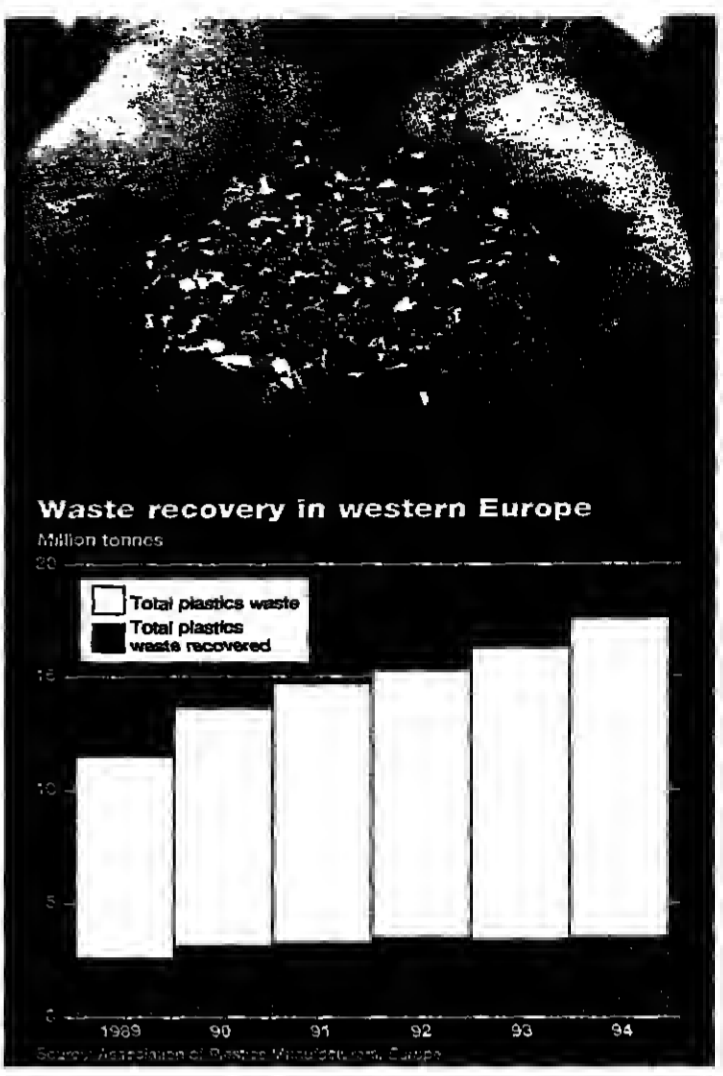
Estimates on the cost to industry of this programme vary from £250m to £375m a year - this is after the savings reported by supermarket chains, such as J. Sainsbury and Tesco, which have already launched recovery programmes for their packaging.

However, the biggest challenge for most of the businesses involved in the scheme will be finding a use for the plastic. Chemical consultants Tecnon forecast that recyclers of plastics will have claimed just 3 per cent of the plastics market by 2000.

The problem remains quality. Even when pure, plastic is not like glass or metal, which can be melted and reformed without being weakened. Recycled plastics are "very rarely able to perform at the same level as the original plastics", says Andrew Warmington of consultants Harritan Chemist.

As a result, recycled plastics need to be at least 30 per cent cheaper than virgin material to compete, he says.

Yet recyclers face extraordinary costs in gathering and preparing their raw material. Several EU members are now close to implementing the EU packaging directive. But even as their schemes are launched plastics recycling remains fraught with commercial and technological difficulties.



Waste recovery in western Europe. Million tonnes. Total plastics waste (light grey), Total plastics waste recovered (dark grey). Source: Association of Plastics Manufacturers (2000).

Plastics find a role in steel industry

Philip Greenfield reports on a novel way to produce pig iron

Germany's steelmaking industry has come up with a novel solution to the problem of waste plastics - grind them into particles and use them in the steelmaking process.

Plastics make ideal agents for recovering oxygen from iron ore in blast furnaces and save on oil and coal as well. It takes 100kg of heavy oil to produce one tonne of pig iron - pure iron which is used to make steel.

The aim of replacing heavy oil and coal with plastics in blast furnaces is not to get the maximum energy out of them but to use their ability as reducing agents. They can be just as effective as oil or coal.

At temperatures of more than 2,000°C, plastics split into mainly carbon monoxide and hydrogen. These combine with the oxygen in iron ore to form carbon dioxide and steam as well as the pig iron, which collects at the bottom of the furnace.

Germany's use of the process relies on the Duales System

Deutschland, a government-backed and industry funded system for recycling consumer plastic packaging.

DSD claims that the overall efficiency of using plastics in the blast furnace, as a reducing agent and as an additional energy source, is around 60 per cent. Some 30 per cent of the plastic's latent energy content is used thermally.

Incinerating plastics to produce electricity has an overall efficiency of just 40 per cent, says the DSD.

But there have been fears that poisonous dioxins and furans could result from the chemical reaction inside the furnace if plastics which contain chlorine, such as PVC, were used. These were quelled when independent

studies found that concentrations of these agents were well within legal limits, although a limit of no more than 2 per cent chlorine content by mass has been established.

Stahlwerke Bremen, which pioneered the use of waste plastics in the blast furnace, has replaced 30 per cent of the heavy oil it uses with a corresponding amount of plastic agglomerates, waste plastics which have been cut up and granulated by frictional heat into pieces not much bigger than a grain of rice.

The Bremen steelworks receives DM200 (£87) per tonne of plastics it uses as part of a three-year contract with the DSD. The steelmaker has invested DM15m in the project to convert from oil injection. With

the money it gets for the 70,000 tonnes of plastics it uses every year and the amount it saves on oil, the payback period will be less than a year.

The main modification to the blast furnace is to the injection system which instead of spraying oil into the furnace must combine oil and 5mm pieces of plastic.

"The preparation of the material is different and the injection tubes obviously have to be bigger," says the company. Beyond that, it is keeping its cards close to its chest.

"We are looking to patent the injection system as there are many companies interested. No engineers are allowed to visit the furnace from other companies at the moment."

Companies from Austria, Sweden and Japan have already approached the steelworks. Thanks to the success of Bremen, and the attractive subsidies from the DSD, the technique is finding wider use in Germany.

This year, Krupp Hoesch Stahl in Dortmund was due to begin using the technique and others are lining up.

German industry will soon have the capacity to recover all waste plastics that are collected through DSD and use of these plastics in the blast furnace process will play a key part.

Planned regulations on waste from cars and electronics will mean more potential supplies for the steel industry. The UK plastics industry is now looking to the German

mixture of plastics, foam, rubber and glass. A working group headed by the car industry is to do a detailed study of the materials in shredders' output.

The Carve consortium, another car industry group, is looking at ways to meet European recycling targets with the help of recycling plants.

Care programme manager Derek Wilkins of Rover says it may be possible to separate plastics from the rest of the shredded material. If British Steel, which already recycles automotive steel, were to take back plastics as well, transport costs could conceivably be reduced.

"Some cost savings may filter their way down to the car manufacturers via lower priced steels," he says, although it is more likely they will be shared between British Steel and car shredders.

The author writes for Professional Engineering magazine.

Table with columns: Year, Price, Yield, etc. for various floating rate deposits. Includes rows for 1991, 1992, 1993, 1994, 1995, 1996.

Advertisement for U.S. \$300,000,000 Floating Rate Depository Receipts Due 1999, issued by The Law Debenture Trust Corporation.

Advertisement for Banque Nationale de Paris, featuring a table of interest rates for various maturities.

Advertisement for Personal and Public Speaking training services.

Petrofina advertisement reporting first half 1996 results, including consolidated profit of 6,702 billion BEF.

Republic of Slovenia advertisement for U.S. \$426,272,000 Floating Rate Amortizing Bonds Due 2006.

INDOSUEZ HIGH YIELD BOND FUND advertisement.

SAMPO Corporation advertisement for U.S. \$50,000,000 2.625 per cent Bonds.

NOTICE TO THE SHAREHOLDERS advertisement for INDOSUEZ HIGH YIELD BOND FUND.

MARGINED CURRENCY DEALING advertisement for Laurion.

Advertisement for Banco Internacional, S.N.C. U.S. \$53,000,000 Floating Rate Notes due 2000.

Advertisement for MARGINED CURRENCY DEALING.

Large advertisement for S.C. SIDERCA S.A. CĂLĂRAȘI, ROMÂNIA DEM 62,440,657. Includes details on financing facilities and agents.

INTERNATIONAL CAPITAL MARKETS

Unease on Emu sparks French sell-off Hanson's £4.5bn deal closes oversubscribed

By Samar Iskandar and Peter John

French bonds came under pressure yesterday and the franc weakened against other currencies, reviving memories of speculation-led volatility last seen in the second half of 1992...

Traders reported heavy bond selling in both the cash and futures markets, while some hedge funds allegedly established - or increased existing - short positions on the French currency...

appeared on Monday, when the 10-year yield spread of OATs over bunds briefly climbed into positive territory for the first time in several months...

GOVERNMENT BONDS

not be traced - circulated in the markets, hinting that French and German officials were considering delaying European monetary union...

seriously because it coincided with selling of French bonds by large domestic financial institutions.

Although the sell-off affected a wide range of maturities, one London-based trader pointed out that bonds maturing in 2002-2003 were hardest hit...

Mr David Brickman, European economist at Yamashita International, said the bonds' weakness was mostly currency-led.

later, [in which case] the correction could be even more pronounced.

Bunds closed slightly higher, with Life's September contract rising 0.06 to close at 97.77.

The first part of a \$30bn quarterly refunding programme took some of the impetus out of US Treasury's yesterday. Prices traded down a few points in early dealing as the Treasury auctioned \$19bn of three-year bonds...

There was a suspicion before the announcement of the take-up that much of the supply would be left with dealers.

There is now a growing belief that the Fed might not need to tighten monetary policy before the end of the year.

There is now a growing belief that the Fed might not need to tighten monetary policy before the end of the year. Mr John McNeill, economist with IDEA, said: "There has been a sea change. All the data show that there is no inflationary pressure."

Hanson's £4.5bn deal closes oversubscribed

By Corner Middelmann

With bankers in much of Europe off on holiday, activity in the syndicated loans sector has slowed markedly.

The syndication of £4.5bn in new bank facilities for Hanson closed yesterday, heavily oversubscribed to the tune of 55.9bn.

BZW, DEB, IBJ, Midland and Royal Bank of Scotland.

The deal comprises a £225m term loan paying a margin of 35 basis points over Libor and a £275m revolving credit facility at 7.5 basis points over Libor.

Some time to evaluate and place, given that not every banker is comfortable with nuclear power.

priced at 32.5 basis points over Libor and has a commitment fee of 17.5 basis points, as well as a utilisation fee of 5 basis points over 50 per cent.

Bankers said the bonds would be converted into global depository receipts in 2001. The coupon rate on the convertible bonds, which

SYNDICATED LOANS

some time to evaluate and place, given that not every banker is comfortable with nuclear power.

Reliance unit raises \$425m

By Tony Tassell

Reliance Petroleum, part of the Indian petrochemicals and textiles Reliance group, has raised \$425m through debt issues on the international market to fund the development of India's largest oil refinery.

will be listed on the Luxembourg Stock Exchange, is 7.84 per cent.

Bankers said the bonds would be converted into global depository receipts in 2001. The coupon rate on the convertible bonds, which

KfW satisfies pent-up demand

By Antonia Sharpe

Germany's KfW yesterday responded quickly to pent-up investor demand for long-dated dollar-denominated paper by issuing a \$400m offering of 10-year eurobonds.

series, fuelled by receding fears of higher US interest rates, has encouraged investors to move along the yield curve, but there has been little fresh supply.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues like US Dollars, Yen, Swiss Francs, etc.

FT-ACTUARIES FIXED INTEREST INDICES

Table showing fixed interest indices for UK Gilts, FT Actuaries, and FT Fixed Interest Indices.

FT/FISMA INTERNATIONAL BOND SERVICE

Table listing international bond issues with columns for Issued, Bid, Offer, Chg, Yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table of benchmark government bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, India, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, and ECU (French Govt).

UK Gilts Prices

Table of UK Gilts prices for various maturities including Treasury Bills and Bond Yields.

BUNDO FUTURES OPTIONS

Table of BUNDO futures options prices for various maturities and strike prices.

Italy

Table of Italian government bond futures options prices.

FT ACTUARIES FIXED INTEREST INDICES

Table of FT Actuaries fixed interest indices for UK Gilts and FT Actuaries.

FT FIXED INTEREST INDICES

Table of FT Fixed Interest Indices for various countries and maturities.

GILT EDGED ACTIVITY INDICES

Table of Gilt Edged Activity Indices for various maturities.

FT/FISMA INTERNATIONAL BOND SERVICE

Table of FT/FISMA International Bond Service listings.

US INTEREST RATES

Table of US interest rates for various maturities.

BOND FUTURES AND OPTIONS

Table of bond futures and options prices for France, Germany, and UK.

Japan

Table of Japanese government bond futures prices.

Other Fixed Interest

Table of other fixed interest rates for various countries.

DEUTSCHE MARK STRAIGHTS

Table of Deutsche Mark straight bond prices.

COMVERTIBLE BONDS

Table of convertible bond prices.

FLLOATING RATE NOTES

Table of floating rate note prices.

Other Fixed Interest

Table of other fixed interest rates.

France

Table of French government bond futures prices.

Germany

Table of German government bond futures prices.

UK Gilts Prices

Table of UK Gilts prices.

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Table of other fixed interest rates.

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FLLOATING RATE NOTES

Table of floating rate note prices.

Other Fixed Interest

Table of other fixed interest rates.

France

Table of French government bond futures prices.

Germany

Table of German government bond futures prices.

UK Gilts Prices

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DEUTSCHE MARK STRAIGHTS

Table of Deutsche Mark straight bond prices.

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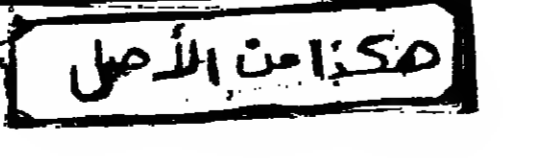
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Other Fixed Interest

Table of other fixed interest rates.



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CURRENCIES AND MONEY

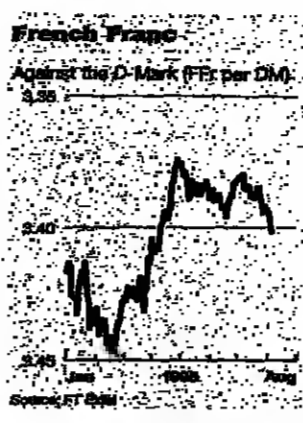
MARKETS REPORT

Quiet markets struggle to find fresh direction

By Philip Gawth

Currency markets had an untidy day yesterday, faced with confusing economic figures and unusual trends in exchange rates. A raft of conflicting German economic data left markets none the wiser about the likelihood of German rate cuts. As a result, the D-Mark was able to make progress against some currencies - the French and Swiss francs - while slipping back against high yielding currencies like the lire, Swedish krona and peseta.

that such talk is not wholly outlandish. Normally European currencies are weak when the D-Mark is strong and the dollar weak. What is unusual about the franc's slide is that it comes against the backdrop of a comparatively weak D-Mark. This led Mr Nick Parsons, currency analyst at Banque Paribas to describe the franc's fall as a "fairly ominous wobble".



French franc - Against the D-Mark (FF per DM) 1994-1996

retracement of the franc's move from its 1996 high of FF3.4540 against the D-Mark in February, to a low of FF3.3710 in April. "Central banks can read charts as well as anyone else," said Mr Parsons. Selling of the franc was widespread - it also lost ground against the lira and the ecu.

always a harbinger of instability in European exchange rates. They point out that the current cocktail of Maas-tricht concerns, mixed in with rumours of political change, is nothing new. What is changing is the backdrop of slowing French and German economies, falling German rates and a dollar rally against the D-Mark. They conclude: "France, like Italy and Sweden, will be faced with the need to ease monetary policy at a time when the dollar remains under downward pressure. The price for providing monetary stimulus will be slippage on the currency front."

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for currency, closing mid-point, change on day, bid/offer spread, day's high/low, one month rate, three months rate, one year rate, and bank of London rate.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for currency, closing mid-point, change on day, bid/offer spread, day's high/low, one month rate, three months rate, one year rate, and JP Morgan rate.

WORLD INTEREST RATES

Table showing interest rates for various countries including Belgium, France, Germany, Italy, Netherlands, Switzerland, US, Japan, and UK. Columns include rate, term, and rate.

EURO CURRENCY INTEREST RATES

Table showing interest rates for Euro currency instruments like Belgium Franc, Danish Krona, D-Mark, Dutch Guilder, French Franc, German Mark, Italian Lira, Japanese Yen, Spanish Peseta, and Sterling.

CROSS RATES AND DERIVATIVES

Table showing exchange rates for various currencies like Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, and Japan.

EXCHANGE CROSS RATES

Table showing exchange rates for various currencies like Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, and Japan.

UK INTEREST RATES

Table showing interest rates for UK instruments like London Money Rates, 3-month Sterling, 6-month Sterling, 12-month Sterling, and Treasury Bills.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing ECU rates for various countries like Netherlands, Spain, Belgium, Germany, Austria, Portugal, France, Denmark, Greece, Ireland, and UK.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies like Acom & Company, Abn-Amro Bank, AIB Bank, etc.

SHORT STERLING OPTIONS

Table showing short sterling options for various currencies like Strike, Price, Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

EURO CURRENCY OPTIONS

Table showing Euro currency options for various currencies like Strike, Price, Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

First European Union Conference on Campus Companies

Cork, Ireland. 4th & 5th September 1996. The exploitation of research results and the development of technology based firms are two of the keys to employment growth and regional development.

FORD MOTOR CREDIT COMPANY

U.S. \$ 250,000,000. FLOATING RATE NOTES DUE AUGUST 4, 2000. In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

BASE LENDING RATES

Table showing base lending rates for various banks and currencies like Acom & Company, Abn-Amro Bank, AIB Bank, etc.

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Kia Motors Corporation

U.S. \$4,000,000 Floating Rate Notes due 2000. Notice is hereby given that the Rate of Interest for the interest period August 7, 1996 to February 7, 1997 has been fixed at 6.28141%.

AKZO NOBEL

The Board of Management of Akzo Nobel N.V. - formerly Akzo N.V. - announces that on August 7, 1996, the results for the first half year of 1996 were published.

COMMODITIES AND AGRICULTURE

Platinum price falls as S African strike ends

By Kenneth Gooding, Mining Correspondent

The prices of platinum... The prices of platinum's price in London fell by US\$3.30 to \$401 a troy ounce yesterday after peace broke out in the South African mining industry.

producer of the metal, which is used mainly in industrial and automotive catalysts... said it expected output to return to normal within days.

marie Gardner is predicting the platinum market will have a modest supply deficit of 10,000 ounces this year compared with a surplus of 190,000 ounces in 1995.

UK land values still low

By Alison Maitland

Agricultural land prices in the UK, which have nearly doubled in the past four years, are still among the cheapest in Europe... The Netherlands came top of the price league of the five European countries surveyed by Knight Frank.

said the relative cheapness of UK farmland was attracting greater interest from overseas buyers than ever before and the price gap was closing.

market are in great demand, said Mr Hopkins. The Netherlands came top of the price league of the five European countries surveyed by Knight Frank.

Land Prices (US\$ a hectare - June 1996) Table with columns for Country, Arable, Pasture, and values.

Newfoundland reaches agreement on \$1.45bn offshore oil project

By Bernard Simon in Toronto

Newfoundland has reached agreement with a consortium led by Calgary-based Petro-Canada on fiscal and other arrangements for developing Canada's second offshore oilfield.

production at the end of 1997 at a rate of 125,000 barrels a day. The new field will use a floating production platform, holding its capital cost at less than half Hibernia.

about a year. A final decision on construction will be taken when these reviews have been completed. Mr Brian Tobin, Newfoundland's premier, said the province expected to receive C\$1.5bn in royalties and corporate taxes from Terra Nova.

Local interest helps to revive forests

John Madeley on experiments in reversing the trend towards state control

The alarming decline in local forests is being halted in parts by Asia by transferring their management from the state to local forest users.

developing it in a sustainable way. One of the earliest projects was India's West Bengal participatory forest management project, launched by the state's government's forestry department in the early 1980s.

particular, the poorest groups of forest users still seem to be excluded from the forest, partly because of difficulty securing membership of a forest-users' group and of knowing their rights.

high because dense urbanisation has reduced the amount of cultivable land available and agricultural landowners have been able to treble their returns by converting land on the edge of cities to residential use.

Mr Hopkins said the difference in prices between Australia and New Zealand could be explained by the "greener" climate and small land surface of the latter, together with strong, past profits in the dairy sector.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table of base metal prices including Aluminum, Copper, Lead, Zinc, Tin, Nickel, and Silver.

Precious Metals continued

GOLD COMEX

Table of gold and silver prices.

PALLADIUM NYMEX

Table of palladium prices.

LEAD COMEX

Table of lead prices.

NICKEL COMEX

Table of nickel prices.

ZINC COMEX

Table of zinc prices.

ENERGY

CRUDE OIL NYMEX

Table of crude oil prices.

HEATING OIL NYMEX

Table of heating oil prices.

NATURAL GAS NYMEX

Table of natural gas prices.

LME ALUMINUM

Table of LME aluminum prices.

LME COPPER

Table of LME copper prices.

LME ZINC

Table of LME zinc prices.

LME LEAD

Table of LME lead prices.

LME TIN

Table of LME tin prices.

LME SILVER

Table of LME silver prices.

GRAINS AND OIL SEEDS

WHEAT COMEX

Table of wheat prices.

WHEAT NYMEX

Table of wheat prices.

MAIZE COMEX

Table of maize prices.

SOYBEAN OIL COMEX

Table of soybean oil prices.

SOYBEANS COMEX

Table of soybean prices.

SOYBEAN OIL NYMEX

Table of soybean oil prices.

SOYBEANS NYMEX

Table of soybean prices.

POTATOES NYMEX

Table of potato prices.

FREIGHT (BUFFED) LCE

Table of freight prices.

POTATOES NYMEX

Table of potato prices.

CRUDE OIL NYMEX

Table of crude oil prices.

NATURAL GAS NYMEX

Table of natural gas prices.

UNLEADED GASOLINE NYMEX

Table of unleaded gasoline prices.

UNLEADED GASOLINE NYMEX

Table of unleaded gasoline prices.

UNLEADED GASOLINE NYMEX

Table of unleaded gasoline prices.

SOFTS

COFFEE COMEX

Table of coffee prices.

COFFEE NYMEX

Table of coffee prices.

COFFEE (ICE)

Table of coffee prices.

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COFFEE (ICE)

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MEAT AND LIVESTOCK

LIVE CATTLE COMEX

Table of live cattle prices.

LIVE HOGS COMEX

Table of live hog prices.

PORK BELLIES COMEX

Table of pork belly prices.

COFFEE COMEX

Table of coffee prices.

COFFEE NYMEX

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COFFEE (ICE)

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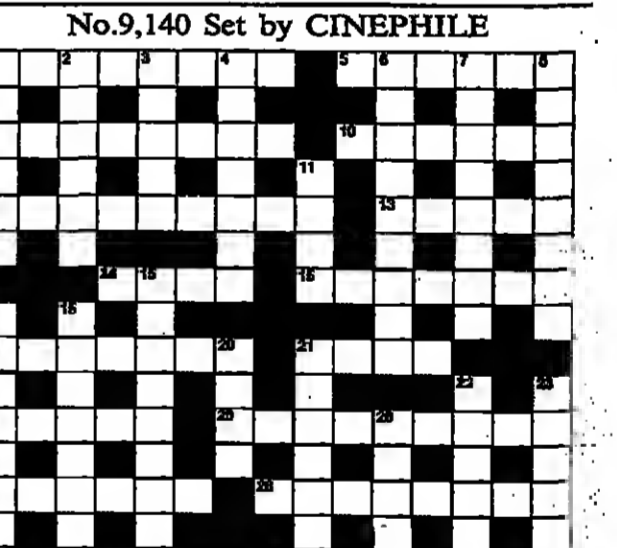
COFFEE (ICE)

Table of coffee prices.

JOTTER PAD

Handwritten notes on a notepad.

CROSSWORD



The SS has the same meaning where it occurs in the clues. ACROSS: 1 Developed (say) a quantity...

Solution 9,129

A grid of numbers for a crossword puzzle solution.

Handwritten Arabic text at the bottom of the page: 'صوتنا من الاجل'

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 878 4378 for more details.

FT MANAGED FUNDS SERVICE

Main table containing fund names, prices, and performance data. Includes sub-sections for 'LUXEMBOURG (SIB RECOGNISED)', 'OFFSHORE INSURANCES', and various international fund listings.

Handwritten Arabic text: 'سودا من الالمان'

Vertical text on the right edge: 'OFFSHORE FUNDS'

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERS, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS

CHEMICALS - Cont.

CHEMICALS - Cont.

DISTRIBUTORS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING

ELECTRONIC & ELECTRICAL EQPT - Cont.

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING

EXTRACTIVE INDUSTRIES - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

HOUSEHOLD GOODS - Cont.

INSURANCE

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS

FOOD PRODUCERS - Cont.

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS

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INVESTMENT TRUSTS

Automatic Call Distributor (ACD) technology, which handles high volume in-coming calls, was pioneered by Rockwell. Rockwell logo and name.

سكنا من الاجل

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts and their performance metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their performance metrics.

INVESTMENT COMPANIES

Table listing investment companies and their performance metrics.

LEISURE & HOTELS

Table listing leisure and hotels companies.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OIL, INTEGRATED

Table listing integrated oil companies.

OTHER FINANCIAL

Table listing other financial companies.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies.

PROPERTY

Table listing property companies.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

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PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY

Table listing property companies.

PROPERTY - Cont.

Table listing property companies (continued).

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Table listing property companies (continued).

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SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies.

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Table listing telecommunications companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies (continued).

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AIM - Cont.

Table listing AIM companies (continued).

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Rockwell advertisement: Every major world airline flies with Rockwell avionics.

AMERICANS

Table listing American companies.

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Table listing American companies (continued).

AMERICANS

Table listing American companies (continued).

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Table listing American companies (continued).

CANADIANS

Table listing Canadian companies.

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Table listing Canadian companies (continued).

CANADIANS

Table listing Canadian companies (continued).

Table listing Canadian companies (continued).

Table listing Canadian companies (continued).

SOUTH AFRICANS

Table listing South African companies.

SOUTH AFRICANS

Table listing South African companies (continued).

Table listing South African companies (continued).

Table listing South African companies (continued).

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT List, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Index.

During bid prices are shown in price unless otherwise stated. High and low are based on intra-day mid-price over a rolling 52 week period.

When stocks are denominated in currencies other than sterling, the £ is indicated after the name.

PE symbols referring to dividend cover appear in the notes column as a guide to yields and P/E ratio. Dividends and dividend cover are indicated in the notes column.

Market capitalisation shows a calculated capacity for each of the stock quoted.

Exchange rate in calculations are based on BSE Yearly Conversion Tables. Share prices are based on latest annual reports and accounts, where possible, and updated in interim figures.

Yields are based on mid-price, are gross, and are for a dividend yield of 20 per cent and allow for value of dividend distribution and tax.

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FT Company Focus / Focus Plus
This company, containing...
FT Cityline
Up-to-the-second share prices are available by telephone from the FT Cityline service...

LONDON STOCK EXCHANGE

MARKET REPORT

Results and buy-back help ailing Footsie

By Philip Coggan, Markets Editor

The FT-SE 100 index's recent rally ran out of steam yesterday despite another set of decent corporate results and a 2470m share buy-back from Barclays Bank.

latter turned the best Footsie performance, helped by the effect of the bank's third buy-back programme in recent times. Much of the rest of the sector got a lift from Barclays' performance.

have been exceptions but mainly in the smaller company area. Yesterday's corporate news held up the market in the face of a weak opening on Wall Street, where the Dow Jones Industrial Average was 16 points lower at the close of London trading.

base rates to remain at 5.75 per cent until the end of the year and then to increase to 6 per cent by March 1997.

trade had disappeared from the Topic news screens as efficiently as photographs of Trotsky vanished from Soviet history books in the Stalin era.

Buyback boost for Barclays

Banking stocks were the toast of the market, as better than expected figures from Barclays served to whet the appetite of institutional investors for the sector.

others pointed to a shortage of stock prompted by the new interest in banks. All of which saw banking stocks command the top five positions among the day's best performers.

West Securities believes, "the rating is too low in an international context and sentiment should be boosted by a more stable bond market background."

underpinning", said one analyst. Hays ended 8 better at 436p.

are betting on a year-on-year gain of more than 10 per cent. The prospect of a boost to markets demand got behind Wolsey, which put on 7 to 42p for two-day rise of 5 per cent.

thanks to an agency cross. Kingsfisher fell 6 to 825p with analysts attributing the movement to media reports that the group is to slash houses at its B & Q stores because they will be too high.

Shares in the group were the day's best performer in the Footsie after they jumped 27 1/2 to 872 1/2p, an all time high for the stock, as turnover soared to 123m, its highest ever daily total.

The shares fell 26 to 1138p with several analysts pointing out the stock had outperformed the market by around 25 per cent over the last three months.

Following the figures, Nikko Securities is among those in the cautious camp and has a "hold" recommendation on the stock. In a note to investors, the broker said its caution was due to the "likely market concerns about political risks in the run up to 1997, perennial concerns about the low bad debt charge, and the recent share price appreciation."

underpinning", said one analyst. Hays ended 8 better at 436p. A denial from pharmaceutical group Zeneca that it has held merger talks prompted a reversal in the stock, in spite of figures at the top end of market expectations.

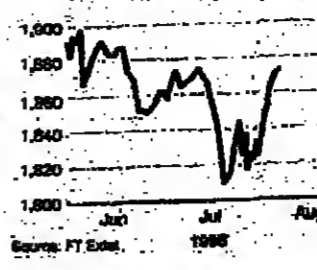
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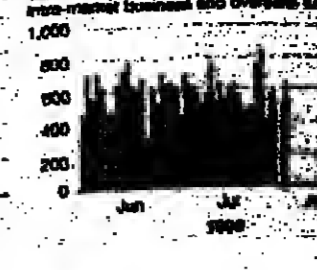
Unable to find what you are hunting for? We can track down the information you need. Competitors, Markets, Customers, Background Research. For a FREE cost estimate please fax this form to Nick Aldrich on +44 171 873 3069 (international) or 0171 873 3069 (UK).

Return this coupon to Nick Aldrich, FT Business Research Centre, Financial Times, Number One Southwark Bridge, London SE1 9PL, U.K. Tel: +44 (0)171 873 4102 Fax: +44 (0)171 873 3869

FT-SE All-Share Index



Equity shares traded



Indices and ratios

Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE Mid 250, FT-SE A 350, FT-SE All-Share, FT-SE All-Share yield, FT Ordinary Index, FT-SE A Non First plc, FT-SE 100 Dividend Yield, FT-SE 100 Dividend Yield ratio.

Best performing sectors

Table with 2 columns: Sector and Change. Includes Engineering: Vehicles (+1.1), Banks: Retail (+1.1), Electricity (+0.7), Media (+0.7), Pharmaceuticals (+1.2), Electronic & Elec (+1.1), Tobacco (+1.1), Extractive Inds (+0.8), Consumer Goods (+0.8).

FUTURES AND OPTIONS

Table for FT-SE 100 INDEX FUTURES (LIFFE) CTS per full index point. Columns: Date, Open, Settle, Change, High, Low, Est. Vol, Open Int.

Table for FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point. Columns: Date, Open, Settle, Change, High, Low, Est. Vol, Open Int.

Table for EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point. Columns: Date, Open, Settle, Change, High, Low, Est. Vol, Open Int.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns: Issue Name, Amt, Price, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

FT GOLD MINES INDEX

Table for FT Gold Mines Index with columns: Date, % Chg, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

FT-SE Actuaries Share Indices

Table for FT-SE Actuaries Share Indices with columns: Index Name, Value, % Chg, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

FT-SE Actuaries All-Share

Table for FT-SE Actuaries All-Share with columns: Index Name, Value, % Chg, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

Hourly movements

Table for Hourly movements with columns: Time, Open, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, High/Low/Day.

FT-SE Actuaries 350 Industry baskets

Table for FT-SE Actuaries 350 Industry baskets with columns: Basket Name, Value, % Chg, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

TRADING VOLUME

Major Stocks Yesterday

Table for Major Stocks Yesterday with columns: Stock Name, Vol, Chg, High, Low, Stock, Div, Yld, P/E, Net, Div, Cov, Yld, P/E.

Additional Information

The FT-SE Actuaries Share Indices are published in Securities Yearly. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of stock market data for Europe, including sections for Austria, Germany, Italy, Belgium-Luxembourg, France, and the Netherlands. Each section lists various stocks with their current prices and 52-week high/low values.

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Table of stock market data for Germany, listing various companies and their stock prices.

Table of stock market data for Italy, listing various companies and their stock prices.

Table of stock market data for Belgium-Luxembourg, listing various companies and their stock prices.

Table of stock market data for France, listing various companies and their stock prices.

Table of stock market data for the Netherlands, listing various companies and their stock prices.

Table of stock market data for Finland, listing various companies and their stock prices.

Table of stock market data for Sweden, listing various companies and their stock prices.

Table of stock market data for Japan, listing various companies and their stock prices.

Table of stock market data for South Korea, listing various companies and their stock prices.

Table of stock market data for Taiwan, listing various companies and their stock prices.

Table of stock market data for Hong Kong, listing various companies and their stock prices.

Table of stock market data for India, listing various companies and their stock prices.

Table of stock market data for Australia, listing various companies and their stock prices.

Table of stock market data for New Zealand, listing various companies and their stock prices.

Table of stock market data for Singapore, listing various companies and their stock prices.

Table of stock market data for Africa, listing various companies and their stock prices.

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Table of stock market data for North America, listing various companies and their stock prices.

Table of stock market data for the UK, listing various companies and their stock prices.

Table of stock market data for the US, listing various companies and their stock prices.

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INDEX FUTURES, US INDICES, and other market summary information including closing prices and changes for various indices and individual stocks.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock names, prices, and changes. Includes sub-sections for various market segments.

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4 pm close August 6

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'High Low Close Change' and 'Low High Close Change'.

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NASDAQ NATIONAL MARKET

4 pm close August 6

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'High Low Close Change' and 'Low High Close Change'.

AMEX PRICES

4 pm close August 6

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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AMERICA

AT&T in reverse as Dow eases

Wall Street

A second day of extremely light trading brought a modest 0.3 per cent fall in the Dow Jones Industrial Average yesterday morning amid some profit-taking following last week's strong stock market advance, writes Richard Waters in New York.



In the Dow, AT&T shed \$1 to \$53.84, giving up some of its gains of recent days. The reversal brought an end to the rebound in the long-distance telephone company's shares which had followed a long slide during much of July, leaving the stock 14 per cent below where it was a month ago.

São Paulo off 2%

The forthcoming expiry of options kept the pressure on SAO PAULO during the morning, and by mid-session the Bovespa index was off 1.334 or 2.1 per cent at 61,107.

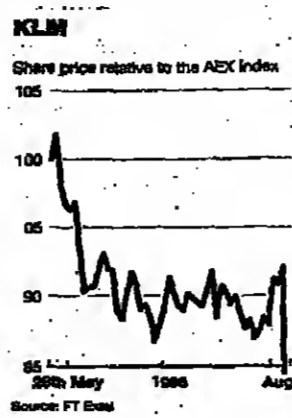
Gold shares fall 1.5%

Gold stocks slid back with most investors unimpressed as bullion held above the \$388 level. The gold index lost 27.9, or 1.5 per cent, to 1,832.7 as the overall index fell 15.5 to 8,780.5 and industrials lost 18.5 to 7,959.7.

EUROPE

KLM hits air pocket on Q1 disappointment

KLM tumbled 8 per cent in AMSTERDAM, after the Dutch carrier released first quarter results which were a disappointment to most analysts. The shares fell to a session low of Ft 150.50, before some buyers came into the market and the stock finally closed down Ft 14.70 at Ft 151.30.



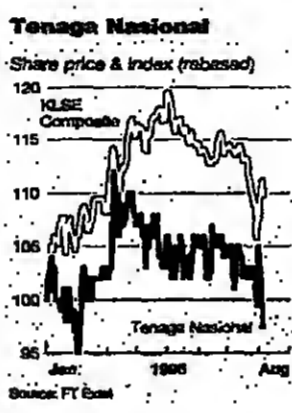
The airline reported doubled net profits of Ft 271m for the quarter but the 1996 figure included an exceptional gain of Ft 245m from the sale of preference shares in its US partner, Northwest.

Although the number of passengers carried by the airline rose by 10 per cent during the first three months of the year, the crucial yield per passenger kilometre fell by 1 per cent owing to the pressure on ticket prices. In addition, there was a significant decline in profitability on cargo routes.

ASIA PACIFIC

Tenaga shares punished after weekend blackout

The weekend blackout throughout peninsular Malaysia took the power utility, Tenaga Nasional, to a 12-month low and KUALA LUMPUR's composite index down 12.77 to 1,093.52.



Tenaga fell 45 cents, or 4.6 per cent, to M\$9.30 in heavy volume following a government threat to take away its power distribution and transmission monopoly. The company said that the current grid was already duplicated and that an alternative system would simply add to the cost of power.

TAIWAN shot up 3 per cent after the government said it would speed up public construction projects to boost the economy. The weighted index closed 169.32 higher at 6,268.98 in active turnover of T\$56.2bn.

Tokyo

A strengthening of the yen against the dollar was amplified in the Osaka futures market as it impacted upon equities, writes Emiko Terazono in Tokyo. The Nikkei 225 average fell 332.56, or 1.6 per cent, to 20,744.88 after moving between 20,741.96 and 20,992.66. Osaka futures came under selling from overseas hedge funds, after the Nikkei 225 futures in Singapore lost ground.

In London, the ISE/Nikkei 50 index rose 4.58 to 1,413.72. Speculative stocks led activity as individual investors bought back issues sold in earlier trading. TYK, the firebrick maker, was the most active issue of the day, rising Y160 to Y1280. Nichiboshi, the non-bank financial institution, gained Y36 to Y410.

The yen's rise against the dollar led domestic institutions, foreigners and individuals to sell technology stocks. Toshiba fell Y12 to Y711. Sony Y90 to Y6,870 and Kyocera Y70 to Y7,400. Car makers were also weaker with Toyota down Y20 to Y2,670 and Honda Y30 to Y1,010.

Foreign investors sold large capital steels and shipbuilders. Nippon Steel fell Y8 to Y396 and Kawasaki Steel declined Y3 to Y382. Mitsubishi Heavy Industries declined Y7 to Y330.

Negative sentiment affected brokers as investors were discouraged by prospects of lower earnings due to the recent decline in activity. Nikko Securities lost Y30 to Y1,010.

In Osaka, the OSE average fell 210.47 to 21,504.25 in volume of 31.3m shares.

Roundup Better-than-expected interim

Figured in the active stocks list, with Commerzbank leading the top ten in DM\$2.5bn as it rose DM\$5.93 to DM\$32.90. Bayernwerk, again, led the sector's share price gains as it rose DM1.04 to DM54.04, up nearly 10 per cent already this month, after a 16.7 per cent gain in July.

Ms Barbara Altmann at B Metzler suspected sector rotation from chemicals, where Hoechst fell 42 pct to DM49.65 and Bayer 33 pct to DM50.05. Elsewhere, Veba's DM1.40 gain at DM78.08 was ascribed to a related taste for defensive stocks; and Lufthansa's DM2.35 fall to DM207.20 was blamed on the disappointing KLM quarterly.

PARIS came under the twin pressures of weak bond and currency markets. As the French currency fell to a four month low against the German mark, the CAC-40 index eased 13.85 to 1,998.34. Elf Aquitaine was among a handful of shares to resist the downward trend, rising FF\$3.40 to FF\$68.90. The oil group found support from a broker's upgrade.

Also prominent on the plus side was Eurohunnel, up 10 pence, or 1.2 per cent, to FF\$10. As the company continued to benefit from a good set of load figures

FT-SE Actuaries Share Indices

Table with columns for Aug 6, Heavy changes, and THE EUROPEAN SERIES (Aug 5, Aug 2, Aug 1, Jul 31, Jul 30).

released earlier in the week. There was little satisfaction to be found in UAP's first half turnover figures, released after the close on Monday. The shares tumbled FF\$7.30, or 6.7 per cent, to FF\$101.80.

Analysts said the data, which showed a rise in turnover to FF\$5.4bn from FF\$4.1bn in the comparable 1995 period, masked a drop in domestic life assurance activity. Another insurer, AGF, which is not a constituent of the CAC-40, lost FF\$1.70 to FF\$139, with some foreign institutions believed to be moving out of the sector.

St Gobain was off FF\$0.9, or 1.3 per cent, to FF\$61.5 ahead of announcing a 14 per cent increase in first half sales. However, when allowance was made for currency fluctuations the rise amounted to 0.5 per cent. ZDRICHE dipped early, climbed and subsided as a

choppy dollar led the market up and down: the SMI index closed 5.7 higher at 3,629.0, after peaking nearly 20 points better than that. One of its best performers was ABB, the Swiss/Swedish engineering combine gaining SF\$17.48, after a rise of SF\$1.02 on Monday, on news of a \$182 turnkey order for a Peruvian, multi-disciplined energy project and ahead of tomorrow's half-year report.

Banks reversed Monday's pattern with UBS bearers up SF\$9 at SF\$1183, while SBC was slightly weaker. MADRID widened, and deepened, its worries in the consumption area as the general index fell 2.37 to 360.01. Pryca, the supermarketier, dropped Pta116, or 3.7 per cent, to Pta3,020 on rumours that its July sales were poor; and Tabacalera, a recent victim of the government's higher tax plans for tobacco

products, shed another Pta340, or 6.1 per cent, to Pta5,230, 28 per cent off the 1996 peak it registered in mid-July. MILAN held its breath as investors awaited the outcome of a government meeting to discuss the privatisation of Stet. The Mibtal index lost \$8 to \$7,755, while the Comit eased 6 to 608.92. Among telecoms stocks, Stet slipped L\$0 to L\$1,000 but subsidiary Sirti, the manufacturer of telecoms equipment, added L\$0 to L\$1,066 on expectations that it could be sold separately from its parent.

STOCKHOLM took a second look at Monday's progress reports. It stayed happy with Electrolux, which rose another SKr9 to SKr356; but Pharmacia & Upjohn, which had higher second quarter profits before restructuring costs, reversed Monday's gains to close SKr35.50 lower at SKr351.50.

The bourse also took general index fell 9.3 to 1,940.3 with banks and insurance off 0.5 per cent, and Ericsson, Volvo and Astra down SKr3.50 to SKr134, SKr2 to SKr144 and SKr3 to SKr276 respectively.

Written and edited by William Cochrane and John Pitt

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FT/S&P ACTUARIES WORLD INDICES table with columns for NATIONAL AND REGIONAL MARKETS, US, DM, Yen, Local, Gross Div, US Dollar, DM, Yen, Local, and DOLLAR INDEX.

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